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DEPT. OF TRANSPORTATION  
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BEFORE THE  
U.S. DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C.

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U.S.-CHINA AIR SERVICES

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Docket OST-99-5539-

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APPLICATION OF  
FEDERAL EXPRESS CORPORATION  
FOR ALLOCATION OF U.S.-CHINA FREQUENCIES

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NOTICE: Answers to this Application are due to be filed by April 26, 1999. A copy of any such Answer must be served upon Federal Express and all persons named on the attached Service List.

April 21, 1999

BEFORE THE  
DEPARTMENT OF TRANSPORTATION  
OFFICE OF THE SECRETARY  
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Docket OST-99-5539-

APPLICATION OF  
FEDERAL EXPRESS CORPORATION  
FOR ALLOCATION OF U.S.-CHINA FREQUENCIES

Federal Express Corporation hereby applies for eight additional round-trip frequencies, with full traffic rights between Japan and China, that became immediately available under the U.S.-China Memorandum of Consultation, dated April 6, 1999 (MOC). Federal Express also applies for six of the additional nine frequencies that will become available to the United States on April 1, 2000. This application is filed in response to the Department's Notice, served April 14, 1999.

With these frequencies, Federal Express will be able to offer daily on-line express services to major markets in China. U.S. manufacturers and exporters, and other companies having significant China investments need the high-quality air express/freight services that only Federal Express can provide. China has rapidly become a major U.S. trading partner, yet it lacks comprehensive access to Federal Express' unique and highly innovative on-line express services upon which U.S. businesses rely every day. These services will support U.S. economic interests as China's importance as an international market and trading partner continues to grow, and China moves toward accession to the

April 21, 1999

World Trade Organization system. The award of these frequencies will increase U.S. exports of high-value manufactured products to China significantly, an important U.S. trade policy objective.

Federal Express will use the eight frequencies that became available on April 1, 1999 immediately to add new daily on-line express service to both Beijing and Shanghai, and new service to a point in southern China — Shenzhen. Federal Express therefore urges DOT to expedite its consideration of the applications for these eight frequencies, so these valuable route rights may be used immediately.’

**I. Federal Express’ Existing U.S.-China Frequencies Are Inadequate To Meet the Needs of U.S. Shippers.**

Federal Express has long recognized the importance of expanded U.S.-flag air express/all-cargo services to Asia and to China. Federal Express was the only all-cargo carrier to participate and assist in the lengthy negotiations that culminated in the 1992 U.S.-China Air Transport Agreement. Federal Express then sought the rights available under that agreement, but the Department selected Evergreen International Airlines, Inc. to serve the U.S.-China market.

In 1995, Federal Express acquired Evergreen’s China authority, which included four frequencies. Since then, Federal Express has incorporated these China frequencies into its AsiaOne network which, through Federal Express’ Subic Bay hub, connects the

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<sup>1</sup> Federal Express holds broad U.S.-China certificate authority, most recently issued by Order 99-2-S (Jan. 4, 1999), and requires no additional certificate authority.

region's major trading centers' with overnight service, and links those centers in Asia with Federal Express' U.S. and global networks. Federal Express' current schedule, which uses an MD-11 on a round-trip routing that includes San Francisco, Anchorage, Beijing, Shanghai, Narita, and Subic Bay (Federal Express' AsiaOne hub and logistics gateway), is set forth in Exhibit FX-104.

As reflected in that exhibit, Federal Express has been limited to serving the two principal destinations in China — Beijing and Shanghai — without the frequencies necessary to maintain daily on-line express service to either one. It has thus been unable to fully integrate these important Asian destinations into its standard-setting AsiaOne express distribution network. Federal Express' lack of adequate China frequencies has disadvantaged U.S. exporters and other shippers that have come to rely on Federal Express' express services elsewhere. For example, U.S. shippers of heavyweight or outsized items to China may be unable to move their cargoes on a timely basis because interline connections on combination aircraft cannot accommodate those cargoes,

The new frequencies available to the United States under the MOC, therefore, give the Department a unique opportunity to address the long-suppressed demand among U.S. manufacturers and exporters for additional U.S.-China cargo services, including critical door-to-door, integrated express services. For many years, the U.S. government has been forced to balance the need for passenger service against the need for adequate

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Bangkok, Beijing, Cebu, Hong Kong, Jakarta, Kaohsiung, Kuala Lumpur, Manila, Osaka, Penang, Seoul, Shanghai, Singapore, Subic Bay, Sydney, Taipei, and Tokyo, Exhibit FX-

air express/freight services to comply with the strict capacity limits of the U.S.-China air transport agreement. As a result, weekly combination services outnumber all-cargo services by more than 5 : 1.

The current imbalance between air express/freight and combination services has resulted in an air express/freight market that is significantly more underdeveloped than the passenger market in China.<sup>3</sup> In light of Federal Express' historic contribution to promoting U.S. exports of high-value merchandise to China,<sup>4</sup> the lack of adequate frequencies for its services impairs competitive opportunities for U.S. exporters and importers. Further, there is a substantial imbalance in U.S.-China cargo carried by third-country airlines in comparison with that carried by U.S. and Chinese carriers. In sum, the award of the requested frequencies will promote the public interest and U.S. policy objectives for trade in both goods and services.

**II. Federal Express' Service Proposal Will Meet The Strong And Growing Demand For U.S.-China Air Express/Freight Air Transportation**

Federal Express' service proposal addresses the needs of shippers in the United States and China for fast, reliable, high-quality air express/freight services. As shown in Exhibits FX-100-103, Federal Express proposes to offer U.S. shippers and importers U.S.-China daily on-line express services similar in quality to those that they enjoy throughout North America.

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<sup>107</sup> provides more detail about the AsiaOne service.

<sup>3</sup> Exhibit FX-115.

<sup>4</sup> Exhibit FX-113.

Federal Express' express distribution services include public benefits that far exceed those of traditional air cargo services offered by combination and even many other all-cargo carriers. The market for express delivery of documents, priority packages, and express freight includes innovative electronic documentation and tracking, customs clearance, and logistical support services that are essential to supporting the needs of business in today's global economy. Federal Express' AsiaOne network combines these services with its worldwide air transport services to meet shipper demand for on-line, door-to-door, time-definite service to points throughout the world. This integrated system affords Federal Express greater flexibility to manage cargo flows in a way that optimizes equipment use in its transpacific and other intercontinental services. By contrast, conventional point-to-point operators suffer directional imbalances inherent in cargo traffic flows, which can inhibit the most economically efficient use of aircraft in particular markets.

Because of the unique and time-sensitive nature of the expedited air freight and air express service Federal Express provides, it is essential to Federal Express and its customers that Federal Express' service be available at least six days a week. Federal Express proposes immediately to expand its current schedule on flights 87 and 88 from four to six trips per week with MD-11 equipment, and to add Shenzhen to its return routing, as shown in Exhibits FX-100-101. In addition, Federal Express will improve its service to Beijing by dedicating an MD-11 to a new Narita-Beijing round trip on its flights 15 and 80, which use Anchorage as a gateway, six days per week.

Beginning April 1, 2000, Federal Express will add daily service between Subic Bay and Shenzhen, linking that market with daily on-line service to its AsiaOne network. With the inauguration of that service, Federal Express will be able to dedicate the MD-11 on flight 88 to serve the needs of the important U.S.-Shanghai market. Federal Express also intends to link this new Shenzhen-Subic Bay segment with its round-the-world MD-11 flight, which currently operates from the United States to Federal Express' European hub at Paris, and then on to Dubai (United Arab Emirates), Bombay (India), Bangkok (Thailand), the AsiaOne hub at Subic Bay, and back to the United States. By so doing, FedEx will provide enhanced opportunities for U.S. exporters to ship to China, not only over the Pacific but over Europe as well.<sup>5</sup>

Federal Express' service proposal offers the following summary benefits:

- Year 1: Allocation of eight frequencies will enable Federal Express to offer daily on-line express services to two key cities in China — Shanghai and Beijing — and introduce new cargo service to southern China through Shenzhen.
- Year 2: Allocation of six additional frequencies will enable Federal Express to bring daily on-line express service to the most important new transportation hub in southern China: Shenzhen.

Details of the proposal, including schedules, are shown in Exhibits FX-100-103.”

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<sup>5</sup> By the second year, FedEx also hopes to operate daily line-haul service connecting its major operational and traffic-sorting hubs at Paris and Subic Bay. This anticipated service will further enhance the speed and efficiency of its global air express and time-sensitive freight services, and reduce the cost to shippers of its service. It has an application pending in Docket OST-99-5286 for Russian overflight frequencies that would enable it to provide this service.

<sup>6</sup> Federal Express does not now, and has no plans to, code-share with any Chinese carrier. The services will operate year-round.

As noted above, Federal Express flights will provide closely integrated daily on-line connections with Federal Express' existing pattern of Far East and other international flights operated to and from Federal Express' hubs at Subic Bay, Narita, and in the United States, Federal Express intends to add transpacific capacity as needed in light of its expanded China services, and has both the resources and the authority to do so. Because of the higher yields involved with U.S.-China air express/cargo, Federal Express will assign priority to those shipments in its allocations of transpacific capacity.

**III. Federal Express' Proposed New U.S.-China Services Maximize the Public Benefits From the MOC.**

**A. Federal Express' Service Proposal Will Bring \$6 Billion Annually and 48,000 New Jobs to the U.S. Economy By The Second Year.**

The proposal leverages Federal Express' AsiaOne network, which links most of Asia's major trading centers with the more than 100 countries it serves. In this instance, the primary O&D market will be U.S.-China, but consignors and consignees in Asian markets will benefit as well. Currently, Federal Express feeds the AsiaOne network with six daily wide-body flights (five transpacific and one round-the-world), more than any other all-cargo carrier. With the fourteen requested frequencies, Federal Express will fully integrate three key Chinese cities with daily on-line service into its AsiaOne network: Beijing, Shanghai, and Shenzhen.

Increased daily on-line Federal Express services to China will expand U.S.-China trade, particularly by developing the market for high-value, express-oriented exports. The proposed service will increase greatly the ability of U.S. manufacturers to deliver



goods to companies located in China and to move China production to global markets quickly and reliably. This quantum increase and improvement in Federal Express services will also facilitate increased U.S. direct investment in that country. A reliable supply chain system and complete logistics services are the keys to expanding global opportunities for U.S. businesses, including exporters, importers, distribution companies, logistics service providers, retailers and wholesalers, medical and other research institutions, service providers (e.g., banks and professional service firms), and e-commerce marketers. Further, Federal Express will be able to offer its integrated on-line express services for a full range of cargoes, including outsized and heavyweight cargoes that require wide-body freighter equipment.<sup>7</sup>

Federal Express' expanded services to China will bring \$4 billion of economic benefits and 32,000 new jobs to the U.S. economy within its first year of operation, as shown in Exhibit FX-201. With the addition of more frequencies in the second year, that exhibit also shows that those benefits will expand to over \$6 billion and almost 48,000 new jobs. The vast majority of these benefits (99%) will derive from expanded third and fourth freedom carriage between the United States and China.

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<sup>7</sup> The Chinese economy will also receive significant benefits from greatly expanded and improved service by Federal Express. Fully integrated daily air express service is essential to China's ability to secure competitive industrial advantages in the global marketplace. Foreign direct investment will flow to modern technology-based industries, thereby raising domestic production and Chinese foreign trade in these industries. Thousands of skill-intensive jobs will be created, tax revenues will increase, and general standards of living will improve. The broad availability of fully integrated, and highly efficient and reliable air express service is a major precondition for leveraging China's enormous low-cost production capabilities.

The benefits include increased wages and sales in the U.S. economy. The frequencies requested by Federal Express are expected to increase U.S. exports to China substantially, both in terms of exports by air (48%) and in terms of total exports (19%) within the next two years.” In fact, these new services will help reduce the U.S. trade deficit with China, since the resulting increase in exports will exceed the value of increased imports by over \$300 million in the second year.’ It will also increase the competitiveness of U.S.-flag service. The direct economic benefits of Federal Express’ proposed service are summarized in Exhibit FX-109.

**B. Federal Express Will Bring Its High-Quality Express Service to One of China’s Fastest Growing Markets: Shenzhen**

Consistent with its long-term strategy, Federal Express has worked diligently since the Department approved transfer to it of the U.S.-China route — to develop a market opportunity in southern China.” Shenzhen, a southern Chinese city of 3.8 million people,<sup>11</sup> is in the center of China’s largest export region, but most shipments move over Hong Kong, adding delay, uncertainty, and cost. Further, although there is considerable demand for U.S.-Shenzhen air cargo services, much of this demand is being met inefficiently today by foreign carriers serving Hong Kong, which provide large amounts

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<sup>8</sup> Exhibits FX-1 10 and FX-205. As explained in more detail in these exhibits, the size of the percentage increases is attributable in part to the fact that the market is currently significantly underserved by cargo carriers.

<sup>9</sup> Exhibits FX-206 and 207.

<sup>10</sup> Joint Application of Federal Express Corporation and Evergreen International Airlines, approved by Order 95-8-9.

of sixth-freedom services over their homelands.” Because of bilateral and other regulatory constraints, U.S. carriers cannot compete effectively at Hong Kong for cargo moving to or from southern China.

Federal Express’ new U.S.-Shenzhen service will allow Federal Express to compete aggressively and successfully for this traffic, and it expects that the introduction of fast, reliable service will stimulate total market demand for these commodities. First, the proposed daily on-line service to Shenzhen will shorten transportation times by as much as 24 hours over other currently available service. Second, the ability to ship packages to destinations around the world in days or even hours will enhance competition in all industries and accelerate the pace of commerce (including e-commerce). Speed, flexibility, reliability, and worldwide reach are new factors in global competition. Federal Express’ proposed service takes full advantage of these essential factors.

Services to Shenzhen reach a population of over 100 million people living within a 200-mile radius. Since 1979, the region has experienced tremendous growth in foreign investment and service.<sup>13</sup> As a result, Shenzhen has the fastest growing economy in the

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<sup>11</sup> (1997 est.); <http://www.burgessbroadcast.org/china/1999/shenzhen/index.htm> (visited 17 April, 1999).

<sup>12</sup> Exhibit FX- 105 lists the carriers currently offering sixth-freedom cargo services between Hong Kong and the United States on a single-carrier basis (excluding potential interline transfers).

<sup>13</sup> Shenzhen was one of the earliest Chinese cities opened to outside trade, having been designated a Special Economic Zone (SEZ) in 1979. As an SEZ, Shenzhen enjoys a flexible, business-oriented economic management system, with considerable independence in international trade activities, and offers foreign investors special tax incentives.

country. Total exports and imports exceeded \$45 billion in 1997, a 15.3% increase over 1996.<sup>14</sup> Nearly 90% of this traffic was finished products.

The city has become one of the most important transportation hubs in China, with a major seaport, airport, and a well-developed transportation hub. Shenzhen is expanding its airport control tower and runways, making the airport the fourth largest in China. Federal Express has entered into an agreement with Shenzhen to provide air service as soon as bilateral opportunities allow. The newly built Huanggang Port is the largest open port for cargo transportation in China, and it is the largest land port in Asia.<sup>15</sup> The city is also building three new highways, a telecommunication center, and a multi-modal freight container transportation hub.

Federal Express will provide U.S.-southern China shippers with even more service options in year two, thereby stimulating significant additional express and freight traffic. In that year, Federal Express will connect Shenzhen to its AsiaOne network with daily on-line service, offering six weekly Subic Bay-Shenzhen round trips. As mentioned above, the new service will also connect to Federal Express' round-the-world service, which links the United States with Asia over Europe. In a study completed last fall, key international shipping executives at leading U.S. manufacturing, retail and service companies cited the absence of fast and reliable delivery systems to Chinese locations as

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<sup>14</sup> <http://www.shenzhenwindow.net/business/td-io.htm>, (visited April 17, 1999); see also, <http://sztdb.asiansources.com/FACTS/BUSINESS.HTM> (visited April 17, 1999).

<sup>15</sup> <http://sztdb.asiansources.com/FACTS/INFRA.HTM#Port> (visited April 17, 1999).

one of the leading barriers to business expansion in China.” Federal Express is prepared to address their need for a reliable supply chain management system by bringing to Shenzhen its integrated express services, state-of-the-art tracing and tracking system, simplified shipping service, and time-definite delivery commitments.

**IV. Proposed Start-Up Date and Aircraft Availability.**

Federal Express proposes to add eight weekly frequencies beginning immediately upon receipt of requisite government approvals, using MD-11 freighter aircraft having a maximum payload of 185,000 pounds. The additional MD-11 freighter required for the Narita-Beijing round trip is currently available at Narita for additional service within the time frames needed. Expedited approval by the Department of this application will allow Federal Express to inaugurate the service well before the peak fall season.

In the second year, Federal Express will inaugurate the Subic Bay-Shenzhen-Subic Bay service six days a week promptly after receipt of the Chinese government approvals

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<sup>16</sup> An Analysis of Economic Benefits from Full Liberalization of Integrated Air Express Service in the Asia-Pacific Region, vol. II at 176-177 (Campbell-Hill Aviation Group, Oct. 26, 1998).

**V. Allocation to Federal Express of the Frequencies Necessary to Mount Integrated Express Services to Three Major Chinese Cities Will Bring Significant Benefits to the United States.**

Before conclusion of the MOC, the United States had focused its limited opportunities for U.S.-Chinese air service on developing combination services. The expansion permitted by the April 6 MOC will enable the United States to address the pressing needs of U.S. manufacturers, exporters, and importers. A reliable supply chain management system with fast, reliable delivery and complete logistics services are the keys to expanding global opportunities for U.S. commercial businesses. Federal Express is uniquely positioned to bring those systems to the U.S.-China market, and it should be awarded the fourteen round-trip frequencies requested immediately,

Respectfully Submitted,

  
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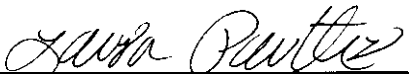
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Certificate of Service

I hereby certify that I have th21<sup>st</sup> day o f, 9/19, caused\_t h e A p p l i c a t i o n  
of Federal Express Corporation For Allocation of U.S.-China Frequencies to be served upon each  
party listed below in the manner indicated.

  
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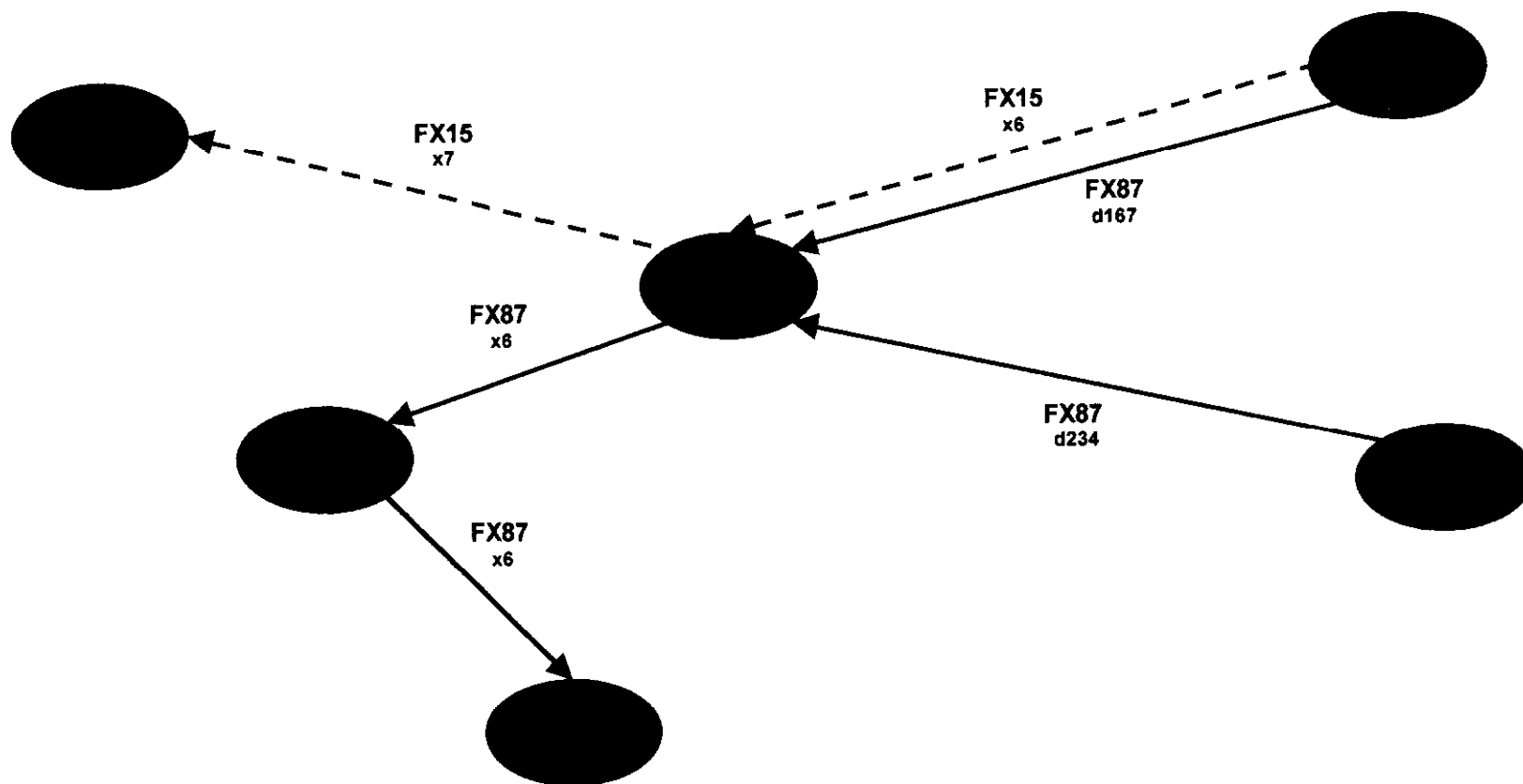


## EXHIBITS

ITEM	Exhibit No.
Federal Express' Service Proposal – First Year Westbound	FX-100
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Federal Express' Service Proposal – Second Year Westbound	FX-I 02
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Air Express and Air Freight Employment Stimulation to U.S. Economy from Expanded Federal Express Service	FX-203

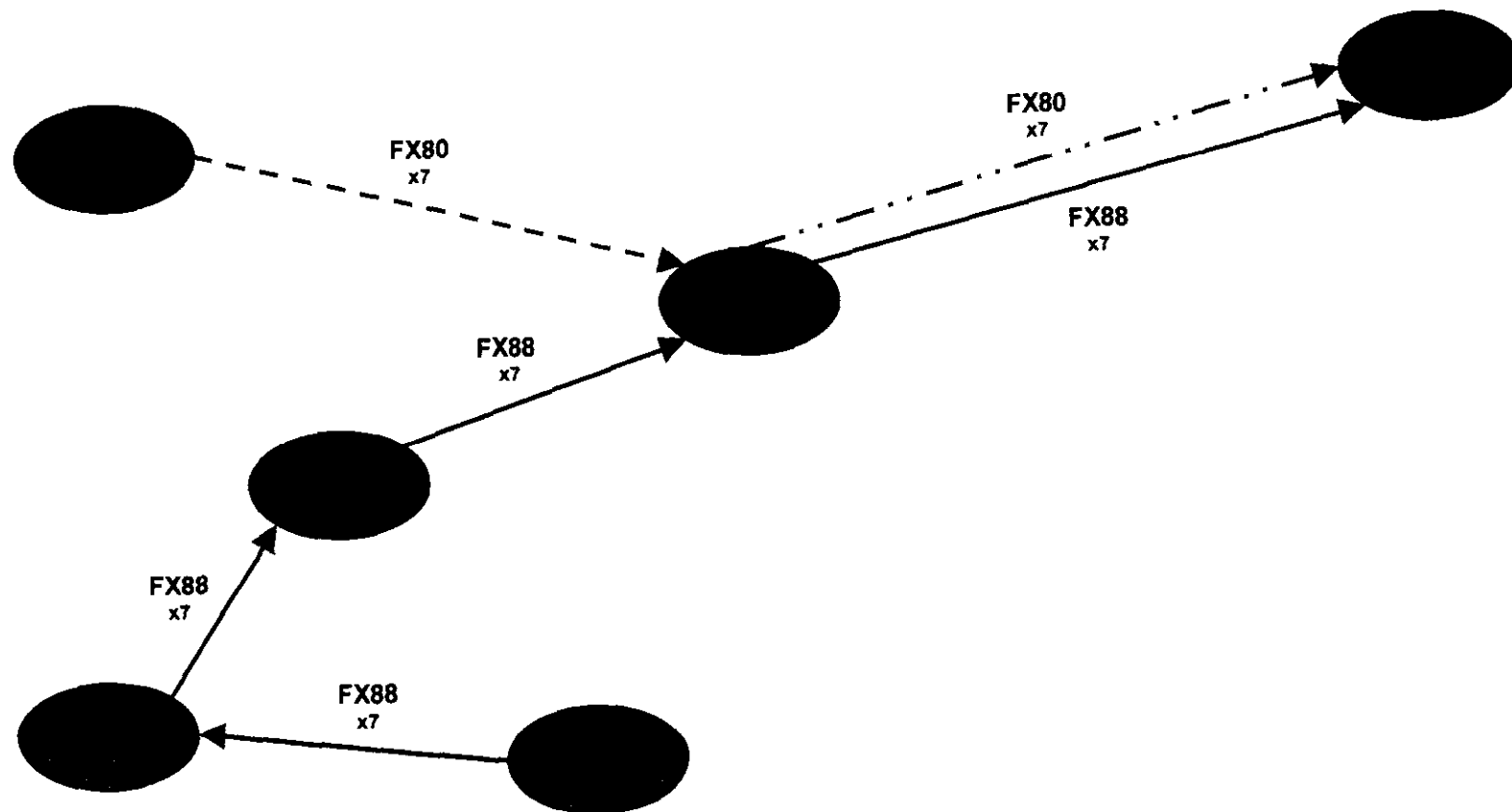
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**FEDERAL EXPRESS' SERVICE PROPOSAL - FIRST YEAR WESTBOUND**  
**U.S. to China**  
**12 TOTAL FREQUENCIES**



# FEDERAL EXPRESS' SERVICE PROPOSAL - FIRST YEAR EASTBOUND China to U.S.

12 TOTAL FREQUENCIES

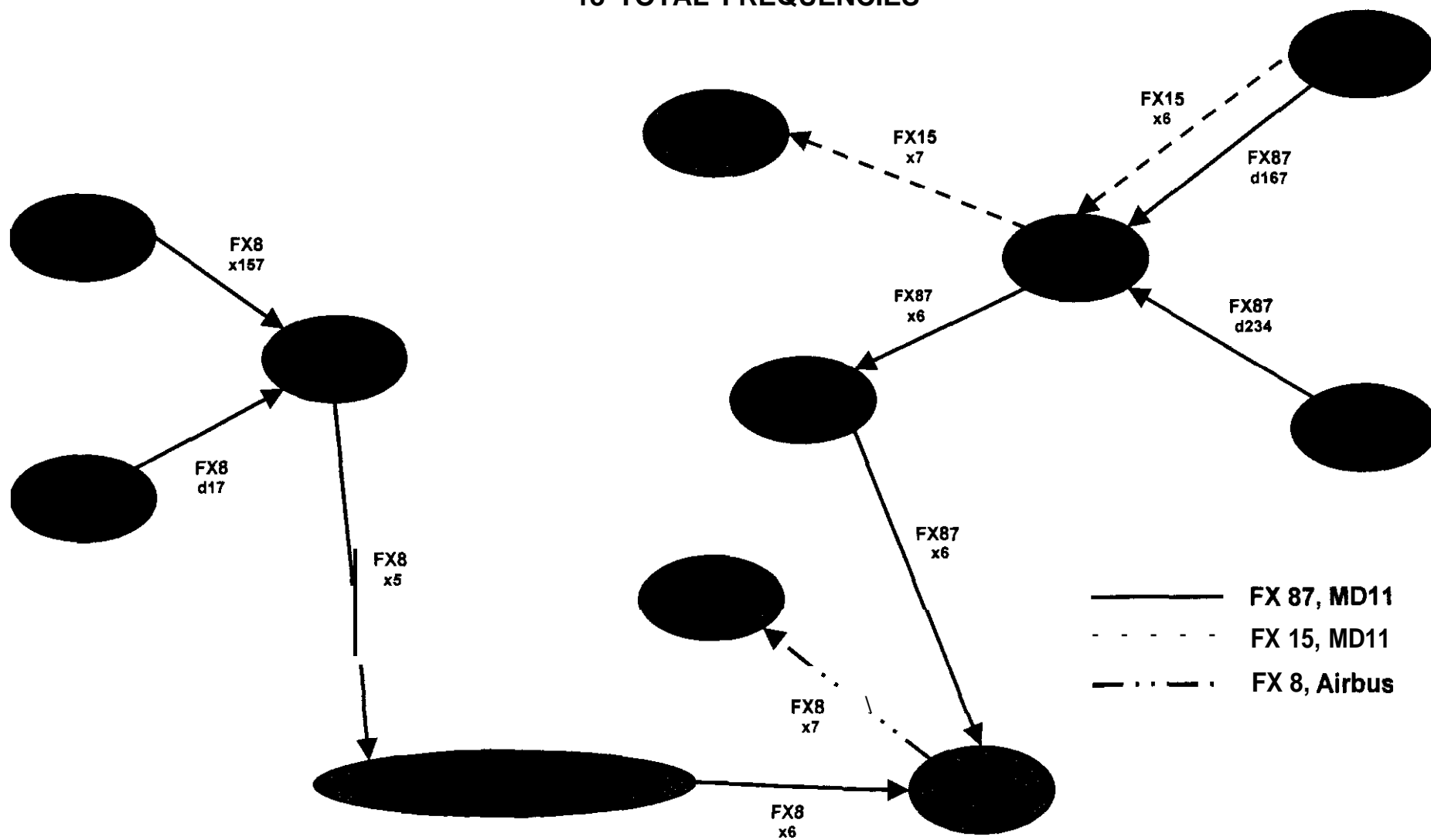


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- - - - - FX 80, MD11  
- . . - . FX 80, DC10

# FEDERAL EXPRESS' SERVICE PROPOSAL - SECOND YEAR WESTBOUND

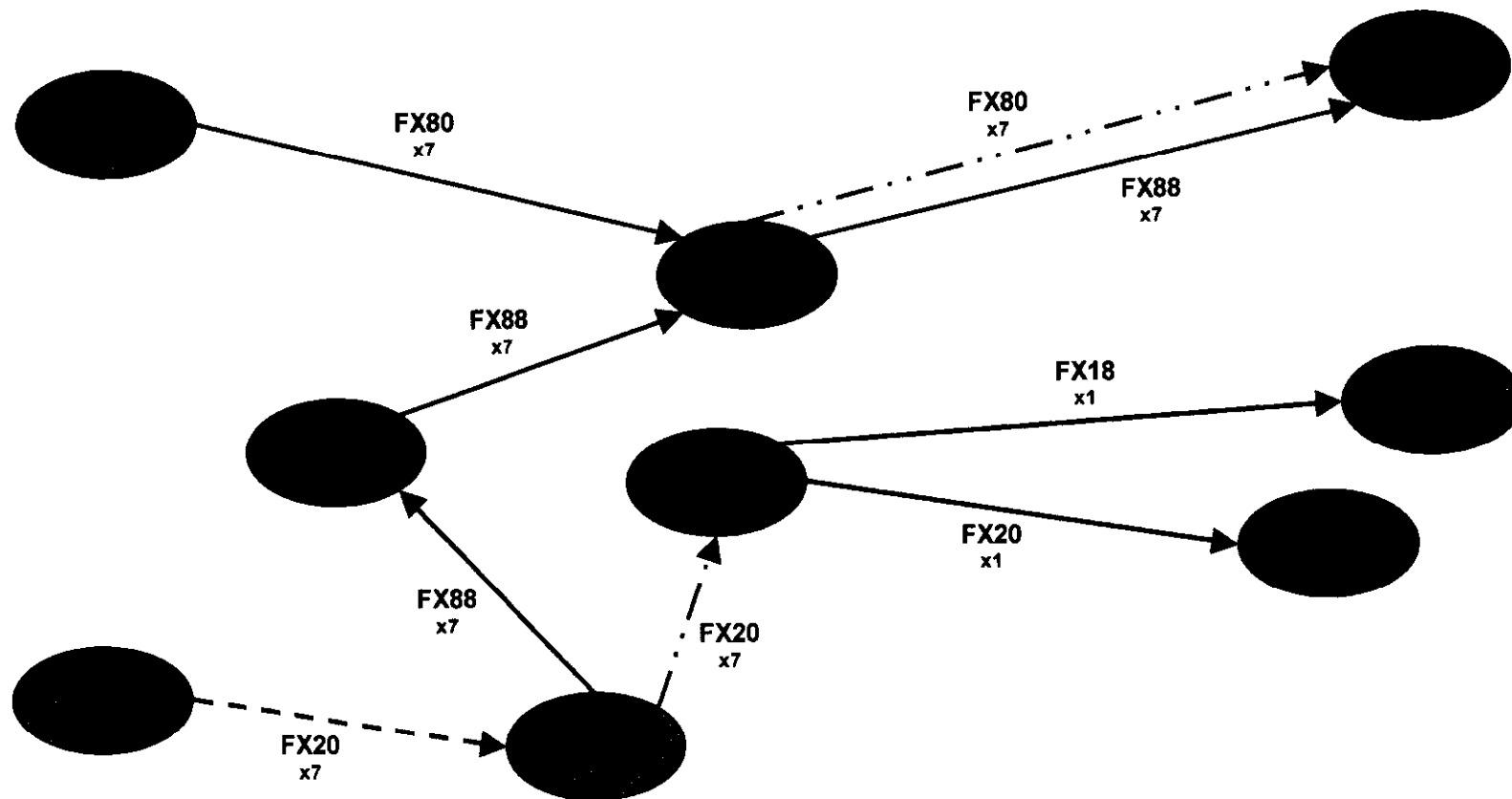
U.S. to China

18 TOTAL FREQUENCIES



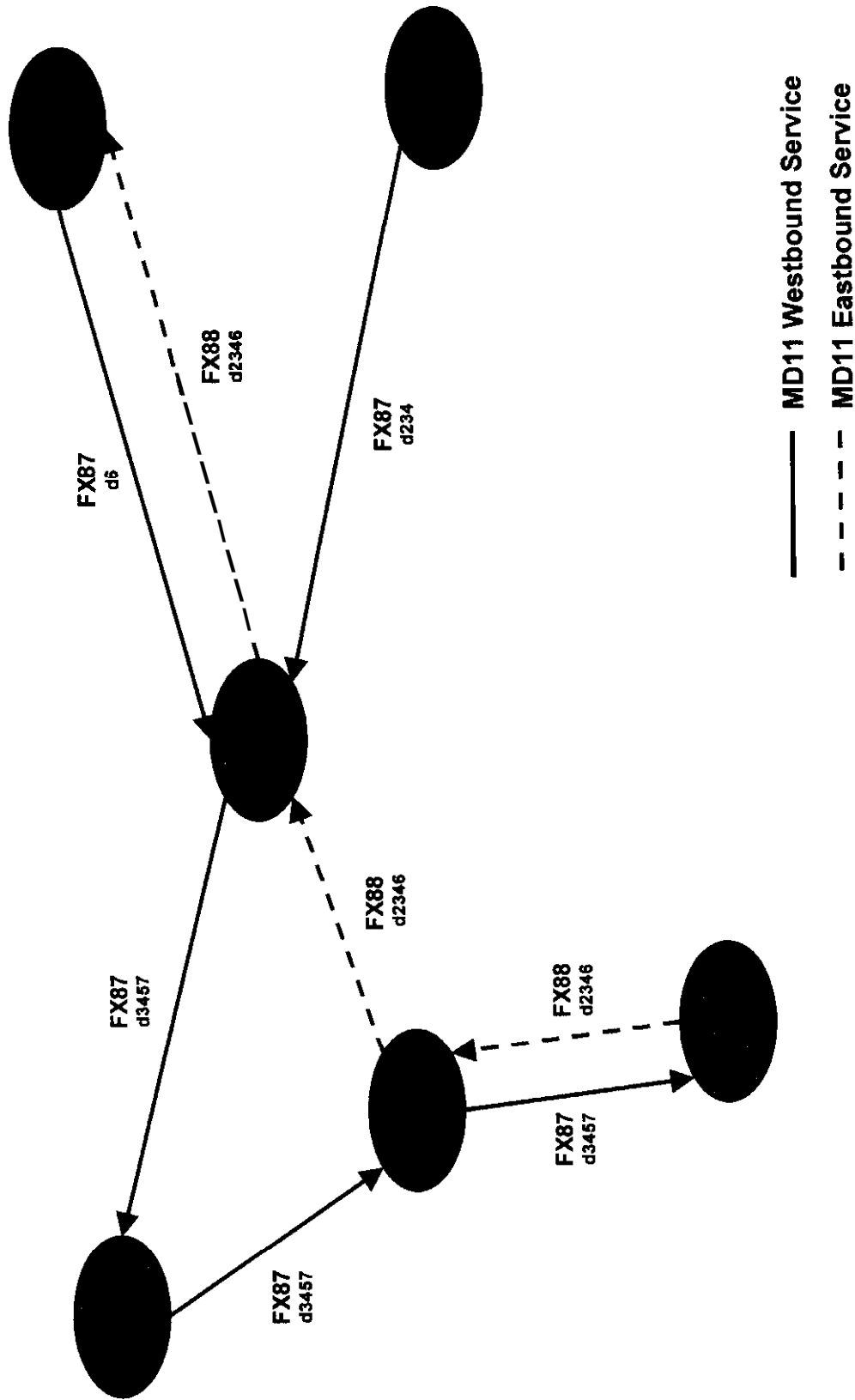
# FEDERAL EXPRESS' SERVICE PROPOSAL - SECOND YEAR EASTBOUND China to U.S.

18 TOTAL FREQUENCIES



————— FX 88, MD1 1  
 - - - - - FX 20, Airbus  
 - . . . - . FX 80, DC10

# FEDERAL EXPRESS' CURRENT U.S. - CHINA SERVICE



## **CARRIERS ABLE TO OFFER 6<sup>TH</sup> FREEDOM CARGO SERVICES BETWEEN HONG KONG AND THE UNITED STATES**

Aeroflot Russian International Airlines  
Air Canada  
Air France  
Air India  
Air New Zealand  
**Alitalia**  
All Nippon Airways  
**Asiana** Airlines  
Biman Bangladesh Airlines  
British Airways  
Canadian Airlines International  
**Cargolux** Airlines International  
**Cathay** Pacific Airways  
China Airlines  
EL AL Israel Airlines  
EVA Airways  
Japan Air Lines  
KLM-Royal Dutch Airlines  
Korean Air  
**Lauda** Air  
Lufthansa German Airlines  
Malaysia Airlines  
Nippon Cargo Airlines  
Philippine Airlines  
Qantas Airways  
SAS Scandinavian Airlines  
Singapore Airlines  
South African Airways  
**Swissair**  
Thai Airways International  
Virgin Atlantic Airways

Note: Excludes code-sharing partnerships.

Source: The Official Airline Guide for the month of April 1999.



## **SHENZHEN TOP TEN INDUSTRIES**

1. Electronic and telecommunication equipment;
2. Precision instruments;
3. Meters and office supply machinery;
4. Electric equipment and machinery;
5. Metal products;
6. Medical and pharmaceutical products;
7. Food processing;
8. Garments and other fiber products;
9. Plastic products; and
10. Transportation equipment.



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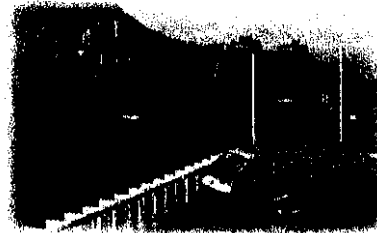
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Does your company ship goods within Asia or across the Pacific? Let the FedEx distribution network help you make profitable connections with key trading centers in the world's most vibrant regional economy.

In the past few years, FedEx has substantially expanded its routes and infrastructure in Asia. We now have an extensive number of flights connecting Europe and the Mid-East to Asia, and Asia to FedEx's global networks through the U.S.



In addition, the FedEx AsiaOne network offers a comprehensive network in Asia. With the opening of an Asia Pacific Hub at Subic Bay in the Philippines in September 1995, FedEx recreated the hub-and-spoke system in Asia, allowing overnight intra-Asian transport.



Exhibit FX-107

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## Overview

The FedEx AsiaOne network represents true innovation in time-certain, global logistics. Here's why.

### **Your competitive edge: overnight delivery within Asia...**

FedEx offers overnight delivery of your documents, packages and freight up to 681 kg. per piece between Asia's major trading centers, including Bangkok, Beijing, Cebu, Hong Kong, Jakarta, Kaohsiung, **Kuala Lumpur**, Manila, Osaka, Penang, Seoul, Shanghai, Singapore, **Subic Bay**, Sydney, Taipei and Tokyo. \* **AsiaOne** is supported by our Money-Back Guarantees.\*\*

### **Fast service to the fast-growing China economy...**

FedEx is the only U.S. all-cargo airline with aviation rights linking your business to the bustling trade centers of Shanghai and Beijing.

### **Your single-solution carrier between Asia and points globally...**

FedEx delivers shipments in just 2 or 3 business days to Europe, South America or virtually any of the 211 countries in our worldwide network.

You can get next-business-day delivery from Asia to destinations throughout North America, barring customs and unforeseen delays. That includes 10:30 a.m., next-business-day delivery to many U.S. cities for major Asian markets or your money back. \* \*

As intra-Asian business activity expands to other important markets, the expansive network of FedEx route authorities - unmatched by any other carrier - is bringing these regional trading partners nearer to one another, and to you.

\* This assumes no customs clearance or unforeseen delays.

\*\* See the FedEx Service Guide for details and limitations of our Money-Back Guarantees. Guarantees apply to FedEx International Priority shipments only.



Exhibit FX-107

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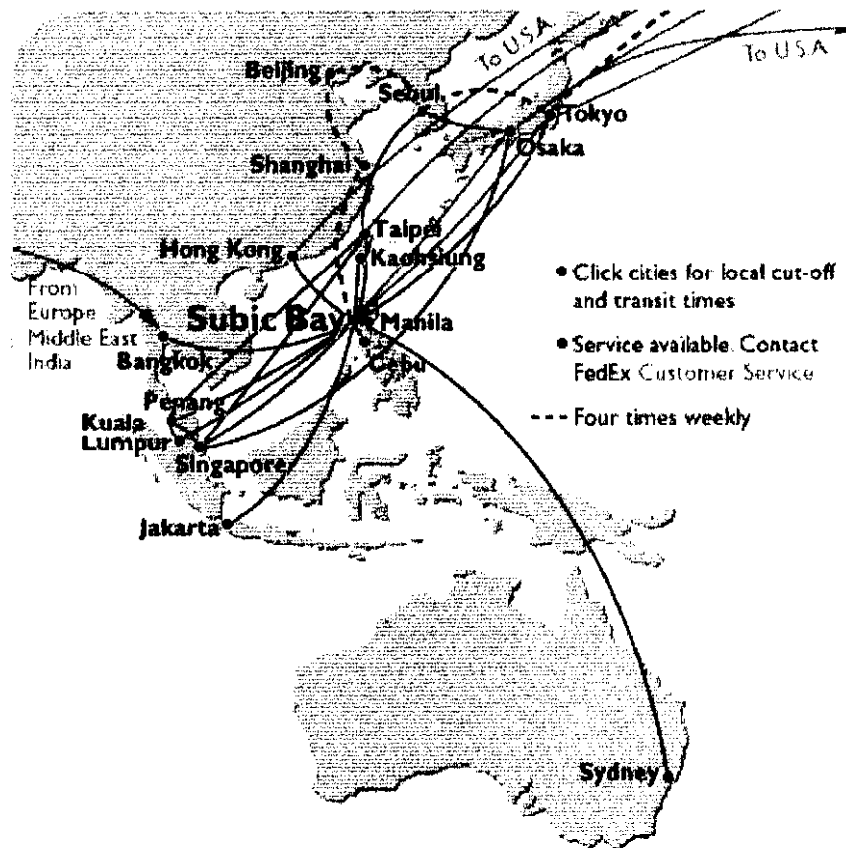
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## Route Map



The new, expanded FedEx distribution network in Asia connects the region's major trading centers with overnight service and links Asia with the world like never before. Whether you ship high-value electronics or heavy freight, FedEx delivers the world's fastest-growing economic region like no other carrier can.

**For transit times and cutoff times for major cities in Asia, please refer to [Destinations and Transit Times](#)**

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## FAQs

### What is FedEx AsiaOne?

FedEx AsiaOne is FedEx's unparalleled overnight delivery network in Asia. With the opening of an Asia Pacific Hub at Subic Bay in September 1995, FedEx recreated the hub-and-spoke system in Asia, allowing overnight intra-Asian delivery.

### What Cities Are Served?

In Asia, the following cities are served:

- Bangkok
- Beijing
- Cebu
- Hong Kong
- Jakarta
- Kaohsiung
- Kuala Lumpur
- Manila
- Osaka
- Penang
- Seoul
- Shanghai
- Singapore
- Subic Bay
- Sydney
- Taipei
- Tokyo

For transit times and cutoff times for major cities in Asia, please refer to [Destinations and Transit Times](#).

### What Are The Benefits?

- A dedicated network with over 160 intra-Asia flights per week.
- Overnight service between key Asian markets (see above for a listing of cities).
- Next business day service to North America from Hong Kong, Seoul, Tokyo, Osaka, Taipei, and Manila.

- Through the FedEx Super Express Freighter, next day service to the entire U.S. by **10:30am** from Singapore, Penang, Sydney, and from western Japan communities, and next day service to Canada and Mexico City.
- FedEx is the only U.S. all-cargo airline with service to China (Shanghai and Beijing).

### **What Services Are Available?**

For information on service availability, please refer to International Services.

### **How Do I Get More Information?**

If you would like more information on FedEx AsiaOne, please send an email to [apacmaster@fedex.com](mailto:apacmaster@fedex.com) and we will be happy to send you more information. You can also call your local FedEx Customer Service representative.



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## International Service5

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### FedEx International Priority<sup>®</sup>

#### What is it?

Time-definite, Customs-cleared, door-to-door delivery of documents and packages supported by a Money-Back Guarantee.

#### Weight restrictions:

Up to 68 kg. per piece. Number of pieces in the shipment is unlimited.

#### Delivery:\*

##### *To the U.S.*

By 10:30 a.m. the next business day to thousands of U.S. destinations from major cities in Asia, Europe, Canada and South America.

##### *From the U.S.*

Depending on destination, typically 1, 2, or 3 business days to more than 200 countries. By noon, the 2nd business day to 50 major European cities.

Overnight to major business centers in Canada, Mexico and the Caribbean.

#### Delivery confirmation:

You can receive free of charge either verbal or written confirmation of delivery on all FedEx International Priority shipments, including delivery date and time, and name of person who signed for the shipment.

\* please contact our Customer Service Agent for specific information

regarding destinations and transit times.

**Exhibit FX-107**

**Page 7 of 8**



## FedEx International Priority Freight

### What is it?

The premier time-definite, Customs-cleared freight service supported by a Money-Back Guarantee.\* Picked up and delivered, door-to-door.

### Weight restrictions:

Total shipment weight limit is 681 kg. with one piece weighing 69 kg. or more. More with prior approval.

### Destinations and Transit times:\*

#### *To the U.S.*

2-day by noon to contiguous United States and Alaska from Asia, Canada, Mexico and Latin America.

Usually in one day to contiguous United States and Alaska from Europe.

#### *From the U.S.*

2-day to Asia -- Australia, Hong Kong, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand, and four major trade cities in China: Beijing, Guangzhou, Shanghai and Shenzhen.

2-day to Europe -- Belgium, France, Germany, Italy, Netherlands, Switzerland, United Kingdom.

2-day to North America and Latin America -- Canada, Mexico, Brazil, Puerto Rico\*\*.

### To make space reservations:

Call FedEx Customer Service to reserve space for your shipment and we'll take care of it from there. Using our advanced booking system, we reserve space for your shipment from origin to **final** destination. You also have the option of delivering or picking up your freight and receiving a discount on your shipping costs. See the back of the FedEx" International Air Waybill for more details.

\* For specific details on destinations and transit times, please call our FedEx Customer Service Agent.

\*\* Outbound service only.





## FedEx International Broker Select

**Exhibit FX-107****Page 8 of 8**

### What is it?

A flexible service that lets your preferred broker handle Customs clearance of your shipment at destination, which we will then deliver to your broker or to its final destination. Available with FedEx International Priority® and FedEx International Priority® Freight.

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---

## FedEx International Priority DirectDistribution

### What is it?

Fast, Customs-cleared delivery of bulk shipments to multiple international consignees in a single country, allowing you to send several packages with the simplicity of one. Rather than completing multiple documentation, we can handle it with one International Air Waybill, one consolidated Commercial Invoice, and one shipping manifest. We'll also save you needless warehousing and distribution costs.

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Macintosh® is a trademark of Apple Corporation

## **SUMMARY OF ECONOMIC BENEFITS FROM FEDERAL EXPRESS' U.S.-CHINA SERVICE PROPOSAL**

### SUMMARY OF IMPACTS

The expansion of Federal Express' frequencies to the China market will enable direct on-line express services connecting to its U.S. and worldwide distribution network. The total impact on the U.S. economy from the increased services includes the following elements:

- Expanded U.S. Export Trade to China
- Additional U.S. Revenues from Expanded Import Trade from China
- Increased Traffic and Competitiveness for U.S.-flag Air Express/Freight Services

Direct and total impacts were estimated for forecast years 1 and 2 (12 months ending May 31, 2000 and May 31, 2001) based on new trade and transportation activity stimulated by the expanded Federal Express services. The total direct impact on revenues to U.S. companies is estimated at \$2.1 billion in forecast year 1 and \$3.1 billion in forecast year 2 (Exhibit FX-112). Increased export sales accounts for over 80% of the total direct sales impact. The direct revenue impact will generate indirect sales based on increased purchases by the companies and their employees in the U.S. economy, the so-called "multiplier effect". The total impact of the increased frequencies on the U.S. economy is estimated at \$4.1 billion in forecast year 1 and \$6.0 billion in forecast year 2.

The increased sales activity for U.S. companies will create new employment and personal income through employment compensation. Over 32,000 new jobs will be created in the first forecast year (including both direct and indirect impacts)

## **SUMMARY OF ECONOMIC BENEFITS FROM FEDERAL EXPRESS' U.S.-CHINA SERVICE PROPOSAL**

with nearly 48,000 jobs in forecast year 2. Total compensation to employees will exceed \$1.3 billion in forecast year 1 with nearly \$2.0 billion in forecast year 2.

The following sections provide additional detail on the impact estimates

### **U.S.-CHINA TRADE IS UNDERDEVELOPED RELATIVE TO THE ASIA/PACIFIC REGION**

The primary impact of Federal Express' increased frequencies will be expanded trade activity between the two countries, particularly for high-valued export commodities. The effect of past restrictions on U.S. all-cargo carriers in the China market can be seen in the underdevelopment of the air express/freight market relative to the air passenger market which is less restricted. The productivity of air trade in the U.S.-China market relative to the size of the economy is low when compared with Japan, South Korea and Taiwan (Exhibit FX-115). Japan's air trade value with the U.S. per \$1,000 of GDP is over 6 times that of China with Taiwan at over 20 times higher and South Korea at 10 times. The relative levels of air passenger activity are not as disproportionate when compared to a comparable measure of commercial/social/cultural activity (U.S.-China international telephone calls). Japan's relative market is only 5 times that of China, while Taiwan and South Korea are less than 3 times larger (compared to 21 and 10 times larger for air trade value).

## **SUMMARY OF ECONOMIC BENEFITS FROM FEDERAL EXPRESS' U.S.-CHINA SERVICE PROPOSAL**

### EXPANDED U.S. EXPORT TRADE TO CHINA

The expected stimulation of U.S. air exports to China is based on the low level of current trade relative to the size of the Chinese economy (Exhibit FX-1 11). Of the top ten U.S. air export markets in East Asia, China ranks ninth with 3% of total air export value. Only Indonesia accounts for less trade, and the top market, Japan, is eleven times larger. The China market is even more highly underdeveloped relative to the size of its economy and population base. U.S. air exports per \$1,000 of Gross Domestic Product (GDP) is the lowest of the ten markets at only 8% of the regional average. The Singapore productivity level per \$1,000 of GDP is over 200 times that of China. Air export productivity per capita for China also ranks last among the markets at 5% of the regional average and half of the next lowest market, Indonesia.

The underdevelopment of U.S. air exports to China is partly due to the limited level of integrated air express service available. A key element of Federal Express' proposed service expansion is the development of world-class air express distribution access for China. The probable effect of the expanded Federal Express service to China on express traffic can be anticipated based on the experience since Federal Express initiated its limited service in 1995. U.S. air exports of high-valued commodities (average value over \$75 per pound) to China increased 32% in weight from 1995 to 1998 with value increasing 108% (Exhibit FX-113). These increases compare to a net decrease of 6% in high-valued export weight to the other top Asian markets combined, with export value increasing by only 8%. The different growth rates in these comparisons are even

## **SUMMARY OF ECONOMIC BENEFITS FROM FEDERAL EXPRESS' U.S.-CHINA SERVICE PROPOSAL**

more pronounced for the highest-valued commodities (i.e., average value over \$100 per pound).

Of primary importance to the U.S. economy is the expansion of U.S. exports of high-valued commodities that require express-level services. The availability of increased cargo capacity connecting to Federal Express' domestic distribution network will greatly improve the ability of U.S. manufacturers to deliver goods to companies located in China (both Chinese and multi-national). In particular, high-valued commodities that require time-definite express service can be competitively sourced in the U.S., permitting the development of U.S.-China supply chains that could not otherwise exist.

It is estimated that the frequencies requested will increase export sales to China by \$1.6 billion in forecast year 1, and by \$2.5 billion in forecast year 2 (Exhibit FX-112). The additional export trade occasioned by 8 additional Federal Express frequencies in forecast year 1 will increase U.S. exports by air to China by 35% (Exhibit FX-1 IO).<sup>1</sup> The additional fourteen frequencies in forecast year 2 (compared to the current level of 4 frequencies) are estimated to stimulate U.S. air export value by 48%, and total exports will increase by 19%.

---

<sup>1</sup> The projected growth in existing air trade is based on 1996-2003 annual growth rates developed in An Analysis of Economic Benefits from Full Liberalization of Integrated Air Express Service In The Asia-Pacific Region, A Case Study: China, (The Campbell-Hill Aviation Group, Inc., October 1998)

## **SUMMARY OF ECONOMIC BENEFITS FROM FEDERAL EXPRESS' U.S.-CHINA SERVICE PROPOSAL**

### **ADDITIONAL U.S. REVENUES FROM EXPANDED IMPORT TRADE FROM CHINA**

The enhanced level of all-cargo air services between China and the U.S. will also stimulate inbound trade to the U.S., particularly for high-valued components and time-sensitive consumer goods. The availability of access to worldwide distribution systems will enhance China as an industrial location, particularly for U.S.-owned or -controlled multi-national firms. The increase in U.S. air imports from China will have a direct impact on U.S. companies, both through the flow of profits from China-based facilities and through revenues for value-added services associated with import flows (e.g., distribution and warehousing services). The direct impact from increased air import trade is estimated at \$310 million in the first forecast year and \$437 million in the second forecast year.

### **INCREASED TRAFFIC AND COMPETITIVENESS FOR U.S.-FLAG AIR EXPRESS/FREIGHT SERVICES**

The final direct impact on U.S. output and sales relates to the revenues flowing to Federal Express (and subsidiary companies) based on the net increase in both U.S.-China import/export trade and fifth freedom traffic between China and non-US. markets. The current structure of the Chinese air cargo market encourages the use of third-flag carriers to serve the U.S.-China market, both due to the limited capabilities of the Chinese fleet and the bilateral restrictions on direct service by U.S.-flag carriers. The share of the total Chinese air cargo market controlled by large foreign carriers is estimated at about 80%, or four times the traffic handled by the U.S. and Chinese carriers combined (Exhibit FX-114).

## **SUMMARY OF ECONOMIC BENEFITS FROM FEDERAL EXPRESS' U.S.-CHINA SERVICE PROPOSAL**

The ability to directly serve the primary Chinese air cargo markets (Beijing, Shanghai and Shenzhen) with six flights per week will enhance significantly Federal Express' share of the Chinese express and freight markets.

Transportation revenues currently flowing to third-country carriers, or diluted by multimodal transshipment via Hong Kong, will flow directly to a U.S. carrier, Federal Express. The direct revenue impact to Federal Express is estimated at \$97 million in forecast year 1 and \$151 million in forecast year 2.

### **IMPORTANCE OF EXPRESS TRAFFIC TO TOTAL IMPACTS**

The large impacts projected from the new frequencies are almost exclusively due to the expected stimulation of air express traffic, both in the U.S.-China and fifth freedom markets (see table below). The **traffic** forecasts estimate that express shipments will account for 95% of the net increase in U.S.-China traffic and 72% of fifth freedom traffic in forecast year 2. The high relative value and yield of express traffic for both U.S. exports and imports results in the disproportionately large share of impact derived from express traffic. For U.S. air exports to China, express traffic is projected to have an average value of \$113 per pound compared to \$23 per pound for general freight, a ratio of 5-to-1. A similar differential exists for U.S. air imports from China with express traffic averaging \$72 per pound compared to \$14 per pound of freight. In terms of transportation impact, express traffic yields up to twice the revenue as freight traffic.

## SUMMARY OF ECONOMIC BENEFITS FROM FEDERAL EXPRESS' U.S.-CHINA SERVICE PROPOSAL

### TOTAL ECONOMIC IMPACTS IN FORECAST YEAR 2: EXPRESS VS. FREIGHT (In Constant 1998 Dollars)

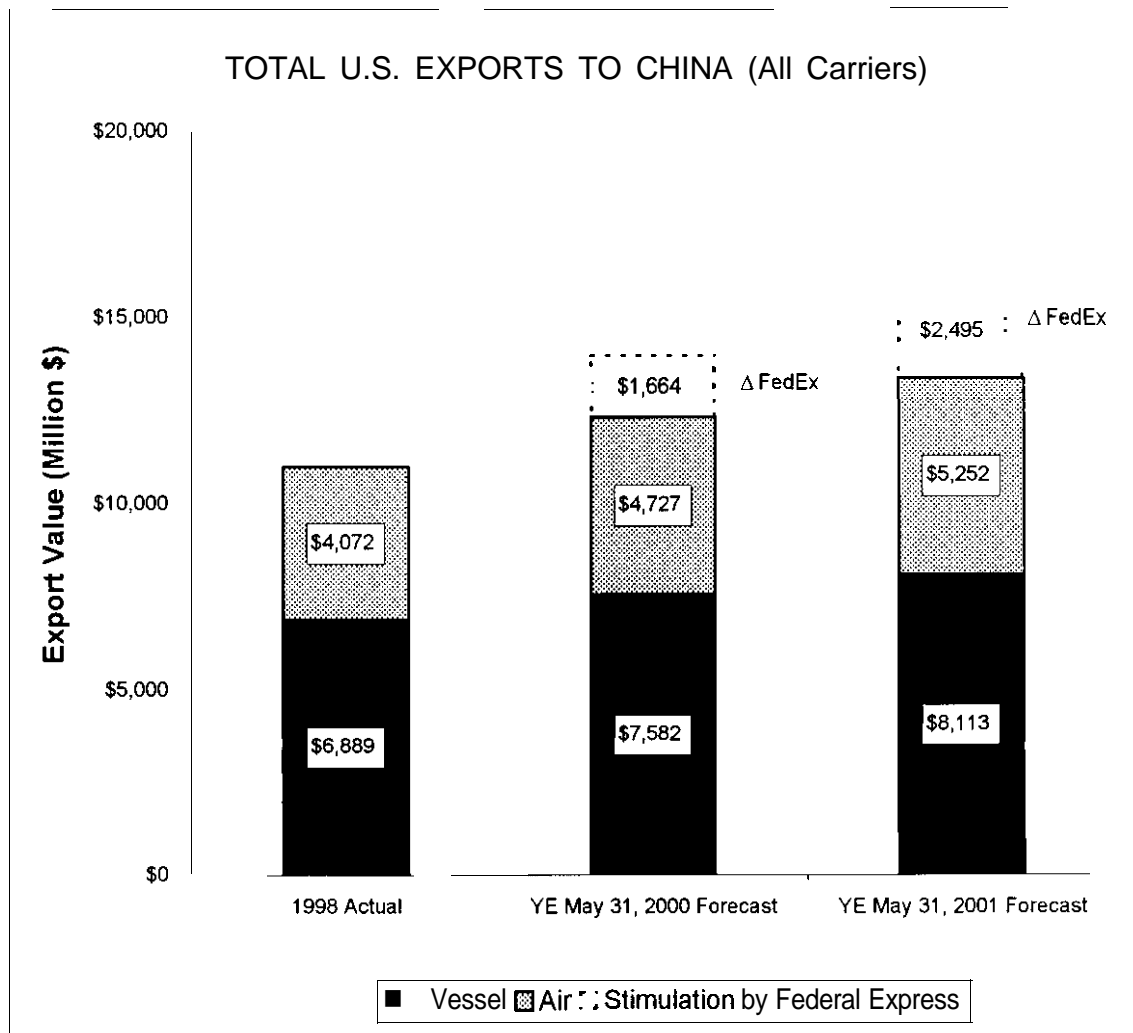
	Year Ending May 31, 2001(+14 Freq.)			
	Express	Express Share	Freight	Total
Total Impact				
Net New Revenues (Mil. \$)	\$5,946	99%	\$78	\$6,024
Employee Compensation (Mil. \$)	\$1,948	99%	\$28	\$1,976
Employment (000)	46.8	99%	0.7	47.6
Net New Traffic (Mil. Lbs.)				
U.S.-China Traffic	51.9	95%	2.6	54.5
Fifth Freedom	27.1	72%	10.4	37.5
Total	<u>79.0</u>	<u>86%</u>	<u>13.0</u>	<u>92.0</u>
Impact Productivity per Net New Traffic				
Net New Revenues (\$ per Lb.)	\$75	115%	\$6	\$65
Employee Compensation (\$ per Lb.)	\$25	115%	\$2	\$21
Employment (Jobs per Mil. Lbs.)	593	115%	55	517
Ratio of Impact Productivity: Express vs. Freight				
Net New Revenues	13			
Employee Compensation	11			
Employment	11			

Source: Exhibit FX-201

The resulting impact estimates result in express traffic accounting for 99% of the total impact for sales, compensation, and employment. The relative impact of the express market (per pound of traffic) is 11-13 times higher than that of the general freight market, highlighting the importance of using the available frequencies for the highest impact use, namely integrated air express!



**THE FREQUENCIES REQUESTED BY FEDERAL EXPRESS  
WILL INCREASE U.S. EXPORTS BY AIR TO CHINA  
BY 48% AND TOTAL EXPORTS BY 19%  
IN THE YEAR ENDED MAY 31, 2001**  
(In Constant 1998 Dollars)



**THE FREQUENCIES REQUESTED BY FEDERAL EXPRESS  
WILL INCREASE U.S. EXPORTS BY AIR TO CHINA  
BY 48% AND TOTAL EXPORTS BY 19%  
IN THE YEAR ENDED MAY 31, 2001**  
(In Constant 1998 Dollars)

	By Mode of Transport		
	Air	Vessel	Total
<u>Export Sales to China (Million \$)</u>			
Base Case			
CY 1998	\$4,072	\$6,809	\$10,961
Annual Average Growth	11.1%	7.0%	0.5%
FY 2000 <sup>1</sup>	\$4,727	\$7,582	\$12,309
FY 2001 <sup>2</sup>	\$5,252	\$8,113	\$13,364
Net New Export Sales			
FY 2000	\$1,664		\$1,664
FY 2001	\$2,495		\$2,495
Total Stimulated Export Sales			
FY 2000	\$6,390		\$13,972
FY 2001	\$7,746		\$15,859
Net New Sales As Share of Base			
FY 2000	35%		14%
FY 2001	48%		19%

<sup>1</sup> Extrapolated 17 months from CY 1998

<sup>2</sup> Extrapolated 12 months from FY 2000

Sources: U.S. Department of Commerce, Exhibit FX-205, and  
The Campbell-Hill Aviation Group, Inc.. An Analysis of Economic  
Benefits from Full Liberalization of Integrated Air Express Service  
In The Asia-Pacific Region. A Case Study: China, October 1998

**THE U.S. AIR EXPORT MARKET TO CHINA IS HIGHLY  
UNDERDEVELOPED RELATIVE TO OTHER ASIA/PACIFIC ECONOMIES**  
(1997 Data)

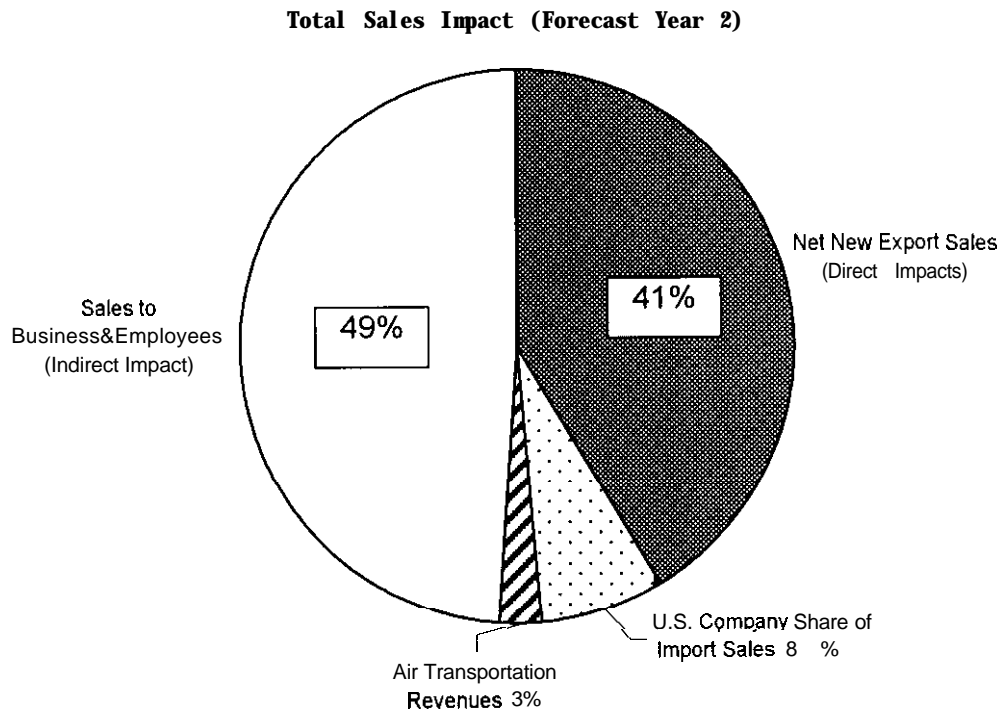
	Gross Domestic Product 1/ (Bil. US \$)	Population (Millions)	U.S. Air Export Value (1997)		
			Million \$	per \$1,000 of GDP	per Capita
CHINA	\$3,945	1,239s	\$2,761	\$0.7	\$2.2
Japan	\$2,948	126.1	\$27,383	\$9.3	\$217.2
Korea, South	\$564	46.1	\$10,308	\$18.3	\$223.6
Taiwan	\$330	21.9	\$8,805	\$26.7	\$402.1
Philippines	\$217	72.6	\$4,518	\$20.8	562.2
Thailand	\$491	61.4	53,235	\$6.6	\$52.7
Indonesia	\$815	201.6	\$995	\$1.2	\$4.9
Malaysia	\$208	21.9	\$6,943	\$33.4	\$317.0
Hong Kong	\$152	6.6	\$7,317	\$48.1	\$1,108.6
Singapore	575	3.1	\$10,727	\$143.0	\$3,460.2
1 D-Country Total	\$9,745	1,400.a	\$82,991	\$8.5	\$46.1
<u>Index Relative to Region Total/Average (=100)</u>					
CHINA	40	69	3	a	5
Japan	30	7	33	109	471
Korea, South	6	3	12	215	485
Taiwan	3	1	11	313	872
Philippines	2	4	5	244	135
Thailand	5	3	4	77	114
Indonesia	a	11	1	14	11
Malaysia	2	1	8	392	68%
Hong Kong	2	0	9	565	2,406
Singapore	1	0	13	1,679	7,508
10-Country Total	100	100	100	100	100

1/ Measured based on World Bank Purchasing-Power Parity (PPP) method,

Source: **Asiaweek** web page, The Bottom Line (June 19, 1998), Bureau of Census Foreign Trade Statistics

## SUMMARY OF FEDERAL EXPRESS IMPACTS ON U.S. BUSINESS SALES BY TYPE

(In Constant 199% Dollars)



	Year Ending May 31, 2000		Year Ending May 31, 2001	
	Impact	% of Total	Impact	% of Total
<b>Net Sales Direct Impact (Million \$)</b>				
Net New Export Sales	\$1,664	41%	\$2,495	41%
U.S. Company Share of Import Sales	\$310	8%	\$437	7%
Air Transportation Revenues (Sales) <sup>1</sup>	597	2%	\$151	3%
Total	\$2,071	51%	53,083	51%
Sales to Businesses/Employees (Indirect Impact)	\$1,968	49%	\$2,941	49%
Total Sales Impact	\$4,039	100%	\$6,024	100%
Total Employment Impact	32,022		47,559	
Total Employee Compensation Impact (Million \$)	\$1,325		\$1,976	

<sup>1</sup> Includes fifth-freedom traffic

**SINCE FEDERAL EXPRESS ENTERED THE CHINA MARKET WITH DIRECT SERVICE IN 1995 U.S. AIR EXPORTS OF HIGH VALUE MERCHANDISE HAVE GROWN FASTER TO CHINA THAN TO OTHER ASIA/PACIFIC MARKETS**

	1995		1998		Percent Change	
	China	Other Asia/Pacific 1/	China	Other Asia/Pacific 1/	China	Other Asia/Pacific 1/
<b>A. Air Export Weight (000 lbs.)</b>						
Commodity Value Per lb.						
\$75-\$100	3,429	111,162	3,934	112,393	14.7%	1.1%
Over \$100	10,594	198,144	14,623	179,279	38.0%	-9.5%
Total (Over \$75)	14,023	309,306	16,557	291,672	32.3%	-5.7%
<b>A. Air Export Value (Mil. \$)</b>						
Commodity Value Per lb.						
\$75-\$100	\$ 272	\$ 9,076	\$ 360	\$ 9,917	32.4%	9.3%
Over \$100	1,049	41,581	2,392	44,807	128.0%	7.8%
Total (Over \$75)	\$ 1,321	\$ 50,657	\$ 2,752	\$ 54,724	108.3%	8.0%

Note: Commodity Value stratification is based on 1996 data.

Source: U.S. Department Of Commerce, Bureau of the Census, Foreign Trade Data.

**THIRD COUNTRY AIRLINES OUTCARRY THE U.S. AND CHINESE FLAG  
CARRIERS IN THE U.S. - CHINA AIR FREIGHT/EXPRESS MARKET  
BY A RATIO OF 4 TO 1**

Line	Item	1998 Short Tons
1.	Total U.S. -China market 1/	298.475
2.	Estimated U.S. -China traffic carried by U.S. and Chinese flag airlines 2/	<u>60,265</u>
3.	Estimated U.S. - China traffic carried by third country flag airlines 3/	<u>236.210</u>
4.	Ratio of third country traffic to U.S./Chinese flag traffic 4/	<u>4.0 to 1 .o</u>

1/ U.S. Department of Commerce, Bureau of Census, Foreign Trade Statistics

2/ From the U.S. Department of Transportation, T-100 Reports, 12 months ended September, 1998

3/ Line 1- Line 2

4/ Line 3 ÷ Line 2

## THE U.S.-CHINA AIR EXPRESS/FREIGHT MARKET IS MORE UNDERDEVELOPED THAN THE PASSENGER MARKET

### A. Air Express/Freight Analysis

	1998 U.S. Exports and Imports (Air) (Millions)	1997 GDP (PPP Adj.) (Billions)	Air Trade Per \$1,000 of GDP	Index (China = 1 .0)
CHINA	\$ <b>12, 012</b>	\$ <b>3, 945</b>	\$ <b>3. 04</b>	1.0
Japan	58,997	2.948	<b>20. 01</b>	<b>6. 6</b>
South Korea	17,716	<b>564</b>	31.41	10.3
Taiwan	20,920	330	63.39	<b>20. 8</b>

### B. Passenger Analysis

U.S. To/From:	12 Mos. 9/98 Onflight O&D (T-I 00)	1998 Telephone Calls (Messages) (000)	Passengers Per 1,000 Telephone Calls	Index (China = 1 .0)
CHINA	<b>484, 612</b> II	<b>83, 105</b>	5.6	1.0
Japan	<b>6,342,870</b>	221,436	<b>28. 6</b>	4.9
South Korea	<b>1,859,330</b>	116,942	15.9	<b>2. 7</b>
Taiwan	<b>1,677,132</b>	<b>110, 557</b>	15.2	<b>2. 6</b>

1/ Due to the fact that most service to/from China is connecting service, the O&D reported in T-100 significantly understates the true market O&D. Consequently, the Japan, Korea and probably Taiwan index values (relative to China) are overstated to an unknown degree in this exhibit.

**SUMMARY OF FORECAST ECONOMIC IMPACT TO THE U.S. OF EXPANDED  
U.S.-CHINA FEDERAL EXPRESS SERVICES:  
INCLUDING FIFTH FREEDOM TRANSPORTATION IMPACTS**

(I" Constant 1996 Dollars)

	Year Ending May 31, 2000 (+8 Freq.)			Year Ending May 31, 2001 (+14 Freq.)		
	Express	Freight	Total	Express	Freight	Total
<u>Transportation Impact</u>						
Direct Impact						
Net' New Revenues (000 \$)	\$93,390	\$3,985	\$97,376	\$144,842	56,340	\$151,182
Employee Compensation (000 \$)	\$41,093	\$1,754	\$42,847	\$63,733	\$2,790	\$66,523
Employment	796	34	630	1,235	54	1,289
Total Impact						
Net' New Revenues (000 \$)	\$178,577	\$7,621	\$166,197	\$276,959	\$12,123	\$289,082
Employee Compensation (000 \$)	\$78,577	\$3,353	\$81,930	\$121,867	\$5,334	\$127,201
Employment	1,522	65	1,587	2,361	103	2,464
<u>U.S. Industrial Impact</u>						
Direct Impact						
Net' New Revenues (000 \$)	\$1,951,778	\$22,164	\$1,973,942	\$2,898,310	\$33,932	\$2,932,242
Employee Compensation (000 \$)	\$603,058	\$7,689	\$610,747	\$892,662	\$11,789	\$904,451
Employment	13,604	211	13,815	19,975	325	20,299
Total Impact						
Net' New Revenues (000 \$)	\$3,809,562	\$43,275	\$3,852,837	\$5,669,256	\$66,140	\$5,735,397
Employee Compensation (000 \$)	\$1,228,755	\$14,800	\$1,243,555	\$1,825,910	\$22,636	\$1,848,546
Employment	30,037	398	30,435	44,485	610	45,094
<u>Combined Impact</u>						
Direct Impact						
Net' New Revenues (000 \$)	\$2,045,169	\$26,150	\$2,071,318	\$3,043,152	\$40,272	\$3,083,424
Employee Compensation (000 \$)	\$644,152	\$9,443	\$653,595	\$956,395	\$14,578	\$970,973
Employment	14,400	245	14,645	21,209	379	21,588
Total Impact						
Net' New Revenues (000 \$)	\$3,988,138	\$50,896	\$4,039,034	\$5,946,215	\$78,263	\$6,024,479
Employee Compensation (000 \$)	\$1,307,332	\$18,153	\$1,325,485	\$1,947,777	\$27,970	\$1,975,748
Employment	31,559	463	32,022	46,846	713	47,559
Net New Traffic (000 Lbs.)						
U.S.-China Traffic	35,942	1,650	37,591	51,934	2,599	54,532
Fifth Freedom	18,697	6,479	25,176	27,060	10,411	37,471
Total	54,639	8,129	62,766	78,994	13,010	92,003

<sup>1</sup> "Net" new revenues exclude some estimated diversion of trade activity which would occur with the additional frequencies



**SUMMARY OF FORECAST ECONOMIC IMPACT TO THE U.S. OF EXPANDED  
U.S.-CHINA FEDERAL EXPRESS SERVICES:  
EXCLUDING FIFTH FREEDOM TRANSPORTATION IMPACTS**  
(In Constant 1998 Dollars)

	Year Ending May 31, 2000 (+8 Freq.)			Year Ending May 31, 2001 (+14 Freq.)		
	Express	Freight	Total	Express	Freight	Total
<b><u>Transportation Impact</u></b>						
Direct Impact						
Net' New Revenues (000 \$)	\$72,416	\$1,582	\$73,998	\$110,946	\$2,495	\$113,443
Employee Compensation (000 \$)	\$31,864	\$696	\$32,561	\$48,819	\$1,098	\$49,917
Employment	617	13	631	946	21	967
Total Impact						
Net' New Revenues (000 \$)	\$138,471	\$3,025	\$141,496	\$212,149	\$4,772	\$216,920
Employee Compensation (000 \$)	\$60,930	\$1,331	\$62,261	\$93,349	\$2,100	\$95,449
Employment	1,180	26	1,206	1,609	41	1,649
<b><u>U.S. Industrial Impact</u></b>						
Direct Impact						
Net' New Revenues (000 \$)	\$1,951,778	\$22,164	\$1,973,942	\$2,898,310	\$33,932	\$2,932,242
Employee Compensation (000 \$)	\$603,056	\$7,689	\$610,747	\$892,662	\$11,789	\$904,451
Employment	13,604	211	13,815	19,975	325	20,299
Total Impact						
Net' New Revenues (000 \$)	\$3,809,562	\$43,275	\$3,852,837	\$5,669,256	\$66,140	\$5,735,397
Employee Compensation (000 \$)	\$1,228,755	\$14,600	\$1,243,355	\$1,825,910	\$22,636	\$1,848,546
Employment	30,037	398	30,435	44,485	610	45,094
<b><u>Combined Impact</u></b>						
Direct Impact						
Net' New Revenues (000 \$)	\$2,024,195	\$23,746	\$2,047,941	\$3,009,258	\$36,428	\$3,045,685
Employee Compensation (000 \$)	\$634,922	\$8,386	\$643,308	\$941,481	\$12,667	\$954,368
Employment	14,221	225	14,446	20,920	346	21,267
Total Impact						
Net' New Revenues (000 \$)	\$3,948,033	\$46,300	\$3,994,333	\$5,881,405	\$70,912	\$5,952,317
Employee Compensation (000 \$)	\$1,289,685	\$16,131	\$1,305,815	\$1,919,259	\$24,736	\$1,943,995
Employment	31,217	424	31,641	46,293	650	46,944
Net New Traffic (000 Lbs.): U.S.-China	35,942	1,650	37,591	51,934	2,599	54,532

<sup>1</sup> "Net" new revenues exclude some estimated diversion of trade activity which would occur with the additional frequencies

# AIR EXPRESS AND AIR FREIGHT EMPLOYMENT STIMULATION TO U.S. ECONOMY FROM EXPANDED FEDERAL EXPRESS SERVICE

	Year Ending May 31, 2000 (+8 Freq.)				Year Ending May 31, 2001 (+14 Freq.)			
	Direct Impacts	Indirect Impacts	Total	Impact Multiplier	Direct Impacts	Indirect Impacts	Total	Impact Multiplier
<u>From Exports</u>								
Transportation	260	237	497	1.91	405	370	775	1.91
Industrial	9,155	15,196	24,351	2.66	13,731	22,789	36,520	2.66
Total	9,415	15,434	24,649	2.64	14,136	23,159	37,295	2.64
<u>From Imports</u>								
Transportation	371	336	709	1.91	562	512	1,074	1.91
Industrial	4,660	1,423	6,083	1.31	6,569	2,006	6,575	1.31
Total	5,031	1,761	6,792	1.35	7,131	2,518	9,649	1.35
<u>Total Exports and Imports</u>								
Transportation	631	575	1,206	1.91	967	882	1,849	1.91
Industrial	13,815	16,620	30,435	2.20	20,299	24,795	45,094	2.22
Total	14,446	17,195	31,641	2.19	21,267	25,677	46,944	2.21
<u>From Fifth Freedom Non-U.S. Traffic</u>								
Transportation	199	182	381	1.91	322	293	615	1.91
Industrial				N/A				N/A
Total	199	182	381	1.91	322	293	615	1.91
<u>Total-All Traffic</u>								
Transportation	630	757	1,567	1.91	1,289	1,176	2,464	1.91
Industrial	13,815	16,620	30,435	2.20	20,299	24,795	45,094	2.22
Total	14,646	17,377	32,022	2.19	21,588	25,971	47,559	2.20

Source: Exhibits FX-206, 207 and 208

**AIR EXPRESS AND AIR FREIGHT EMPLOYEE COMPENSATION  
STIMULATION TO U.S. ECONOMY FROM EXPANDED FEDERAL EXPRESS SERVICE**  
(In Millions of Constant 1996 Dollars)

	Year Ending May 31, 2000 (+8 Freq.)				Year Ending May 31, 2001 (+14 Freq.)			
	Direct Impacts	Indirect Impacts	Total	Impact Multiplier	Direct Impacts	Indirect impacts	Total	Impact Multiplier
	(in millions of U.S. dollars)							
<u>From Exports</u>								
Transportation	\$13.4	\$12.2	\$257	1.91	\$20.9	\$19.1	\$40.0	1.91
Industrial	\$463.5	\$576.6	<b>\$1,062.1</b>	2.20	\$725.0	\$667.7	<b>\$1,592.8</b>	2.20
Total	<b>\$496.9</b>	<b>\$590.9</b>	<b>\$1,087.7</b>	2.19	\$7460	\$666.6	<b>\$1,632.8</b>	2.19
<u>From Imports</u>								
Transportation	\$19.1	\$17.5	\$36.6	1.91	\$29.0	\$26.4	\$55.4	1.91
Industrial	\$127.3	\$54.2	\$181.5	1.43	\$179.4	576.4	\$255.0	1.43
Total	<b>\$146.4</b>	\$71.6	\$216.1	1.49	\$208.4	\$102.6	\$311.2	1.49
<u>Total Exports and Imports</u>								
Transportation	\$32.6	\$29.7	\$62.3	1.91	\$49.9	\$46.5	\$95.4	1.91
Industrial	\$610.7	\$632.6	<b>\$1,243.6</b>	2.04	<b>\$904.5</b>	\$944.1	<b>\$1,848.5</b>	2.04
Total	\$643.3	\$662.5	<b>\$1,305.8</b>	2.03	\$954.4	\$989.6	<b>\$1,944.0</b>	2.04
<u>From Fifth Freedom Non-U.S. Traffic</u>								
Transportation	\$10.3	\$9.4	\$19.7	1.91	\$16.6	<b>\$15.1</b>	\$31.6	1.91
Industrial	\$0.0	\$0.0	\$0.0	N/A	\$0.0	\$0.0	\$0.0	N/A
Total	\$10.3	\$9.4	\$19.7	1.91	\$16.6	\$15.1	\$31.8	1.91
<u>Total -All Traffic</u>								
Transportation	\$42.6	\$39.1	\$81.9	1.91	\$66.5	\$60.7	\$127.2	1.91
Industrial	\$610.7	\$632.6	<b>\$1,243.6</b>	2.04	\$904.5	\$944.1	<b>\$1,848.5</b>	2.04
Total	\$653.6	\$671.9	<b>\$1,325.5</b>	2.03	\$971.0	<b>\$1,004.8</b>	<b>\$1,975.7</b>	2.03

Source: Exhibits FX-206, 207 and 208.

# **AIR EXPRESS AND AIR FREIGHT COMMODITY SALES STIMULATION TO U.S. ECONOMY FROM EXPANDED FEDERAL EXPRESS SERVICE**

(In Millions of Constant 1998 Dollars)

	Year Ending May 31, 2000 (+8 Freq.)				Year Ending May 31, 2001 (+14 Freq.)			
	Direct Impacts	Indirect Impacts	Total	Impact Multiplier	Direct Impacts	Indirect Impacts	Total	Impact Multiplier
	(in millions of U.S. dollars)							
<u>From U.S. Exports to China</u>								
Transportation	530.5	527.0	\$58.3	1.91	547.5	543.4	\$90.9	1.91
Industrial	<b>\$1,663.7</b>	<b>\$1,718.0</b>	<b>\$3,381.7</b>	2.03	<b>\$2,494.9</b>	<b>\$2,576.4</b>	<b>\$5,071.3</b>	2.03
Total	<b>\$1,694.2</b>	<b>\$1,745.8</b>	<b>\$3,440.0</b>	2.03	52,542.4	<b>\$2,619.7</b>	<b>\$5,162.2</b>	2.03
<u>From U.S. Imports from China</u>								
Transportation	5435	539.7	583.2	1.91	565.9	560.1	5126.0	1.91
Industrial <sup>1</sup>	5310.3	5160.9	5471.2	1.52	5437.4	5226.6	5664.1	1.52
Total	5353.8	<b>\$200.6</b>	5554.3	1.67	5503.3	\$286.9	\$790.1	1.57
<u>Total Exports and Imports</u>								
Transportation	574.0	\$67.5	5141.5	1.91	<b>\$113.4</b>	<b>\$103.5</b>	<b>\$216.9</b>	1.91
Industrial	<b>\$1,973.9</b>	<b>\$1,878.9</b>	<b>\$3,852.8</b>	1.95	\$2,932.2	<b>\$2,803.2</b>	<b>\$5,735.4</b>	1.96
Total	52,047.9	<b>\$1,946.4</b>	<b>\$3,994.3</b>	1.95	<b>\$3,045.7</b>	<b>\$2,906.6</b>	<b>\$5,952.3</b>	1.95
<u>From Fifth Freedom Non-U.S. Traffic</u>								
Transportation	523.4	\$21.3	\$447	1.91	537.7	534.4	572.2	1.91
Industrial	50.0	\$0.0	\$0.0	N/A	50.0	\$0.0	50.0	N/A
Total	523.4	\$21.3	\$447	1.91	537.7	534.4	572.2	1.91
<u>Total -All Traffic</u>								
Transportation	597.4	568.6	5186.2	1.91	5151.2	5137.9	<b>\$289.1</b>	1.91
Industrial	<b>\$1,973.9</b>	<b>\$1,878.9</b>	<b>\$3,852.8</b>	1.95	52,932.2	<b>\$2,803.2</b>	<b>\$5,735.4</b>	1.96
Total	<b>\$2,071.3</b>	at 1,967.7	<b>\$4,039.0</b>	1.95	<b>\$3,083.4</b>	52,941.1	<b>\$6,024.5</b>	1.95

Source: Exhibits FX-206, 207 and 208.

## ESTIMATED ECONOMIC IMPACTS OF EXPANDED U.S.-CHINA FEDERAL EXPRESS SERVICES: U.S. EXPORTS

(In Constant 1998 Dollars)

		Year Ending May 31, 2000 (+8 Freq.)			Year Ending May 31, 2001 (+14 Freq.)		
	Notes	Express	Freight	Total	Express	Freight	Total
<b>Transportation Impact</b>							
Direct Impact							
Net New Revenues (WO 5)	1	\$29,701	\$807	530,508	\$46,318	51,226	547,544
Employee Compensation (000 5)	2	\$13,069	5355	513,424	\$20,381	5539	520,920
Employment	2	253	7	260	395	10	405
<b>Total Impact</b>							
Net New Revenues (000 5)		\$56,792	51,543	\$58,335	588,567	52,344	\$90,912
Employee Compensation (000 5)		524,990	5679	\$25,666	538,971	51,031	540,003
Employment		<b>484</b>	13	497	755	20	775
<b>Industrial Impact</b>							
Direct Impact							
Net <b>Traffic</b> Impact (000 Lbs.)	4	14,546	869	15,414	21,610	1,320	23,130
Average <b>Value</b> per Pound	5	\$113	523	\$108	5113	523	5108
Net New Export Sales (000 5)		<b>\$1,643,677</b>	519,977	<b>\$1,663,654</b>	<b>\$2,464,531</b>	530,351	<b>\$2,494,881</b>
Average Compensation Share of <b>Sales</b>	6	29%	34%	29%	29%	34%	29%
Employee Compensation (000 \$)	7	5476,666	\$6,792	<b>\$483,458</b>	\$714,714	\$10,319	\$725,033
Average Compensation per Employee	8	553,101	536,076	\$52,808	553,101	\$38,076	552,804
Employment	9	8,977	178	9,155	13,460	271	13,731
<b>Total Impact</b>							
Net New Sales (000 \$)	10	<b>\$3,341,705</b>	539,964	<b>\$3,381,659</b>	<b>\$5,010,557</b>	\$60,702	<b>\$5,071,258</b>
Employee Compensation (000 \$)	11	<b>\$1,048,558</b>	513,520	<b>\$1,062,079</b>	<b>\$1,572,210</b>	\$20,541	<b>\$1,592,751</b>
Employment	12	23,996	355	24,361	35,980	539	36,520

<sup>1</sup> FedEx estimates (Exhibit FX-209)

<sup>2</sup> FedEx financial data (Exhibit FX-210)

<sup>3</sup> BEA input-output multiplier for air transportation sector (Exhibit FX-212)

<sup>4</sup> FedEx estimates (Exhibit FX-209)

<sup>5</sup> Average value per pound for U.S.-China export market; "high value" SICs for express and "All Other" commodities for freight (Exhibit FX-211)

<sup>6</sup> Average compensation share of total output from 1992 BEA I-O benchmark data; "high value" SICs for express and "All Other Sectors" for freight (Exhibit FX-211)

<sup>7</sup> Total new sales x compensation share of total.

<sup>8</sup> Average compensation per employee from 1996 BEA County Business Patterns data; "high value" SICs for express and "All Other Sectors" for freight (Exhibit FX-213)

<sup>9</sup> Total direct new compensation / average compensation.

<sup>10</sup> Assumes industry output multiplier for "high value" industry sectors for express (Exhibit FX-211) and 2.0 for freight applied to direct sales.

<sup>11</sup> Indirect new sales x average compensation share of total output for "All Sectors" (Exhibit FX-212) plus direct compensation.

<sup>12</sup> Indirect new compensation / average compensation for "All Sectors" (Exhibit FX-213) plus direct employment.

**ESTIMATED ECONOMIC IMPACTS OF EXPANDED U.S.-CHINA  
FEDERAL EXPRESS SERVICES: U.S. IMPORTS**  
(In Constant 1998 Dollars)

		Year Ending May 31, 2000 (+8 Freq.)			Year Ending May 31, 2001 (+14 Freq.)		
	Notes	Express	Freight	Total	Express	Freight	Total
<b><u>Transportation Impact</u></b>							
Direct Impact							
Net New Revenues (000 \$)	1	\$42,716	5775	\$43,491	564,629	51,269	565,899
Employee Compensation (000 \$)	2	\$16,796	\$341	519,137	526,436	5559	\$28,997
Employment		364	7	371	551	11	562
Total Impact							
Net New Revenues (000 \$)	3	581,679	\$1,482	583,161	5123,581	52,427	5126,009
Employee Compensation (000 \$)		535,940	5652	\$36,592	\$54,376	\$1,068	555,446
Employment		696	13	709	1,054	21	1,074
<b><u>Industrial Impact</u></b>							
Direct Impact							
Net Traffic Impact (000 Lbs.)	4	21,396	781	22,177	30,124	1,279	31,403
Average Value per Pound	5	572	514	570	572	\$14	\$70
Net New Import Value (000 \$)		\$1,540,508	510,936	\$1,551,444	\$2,168,896	517,909	\$2,186,804
Estimated U.S. Share of Import Sales	6	20%	20%	20%	20%	20%	20%
Net New U.S. Sales (000 \$)		5308,102	52,167	\$310,289	\$433,779	53,562	5437,361
Employee Compensation (000 \$)	7	5128,392	5897	\$127,269	\$177,946	\$1,469	5179,418
Average Compensation per Employee	8	527,313	527,313	\$27,313	\$27,313	527,313	\$27,313
Employment	9	4,627	33	4,660	6,515	54	6,569
Total Impact Imports							
Net New Sales (000 \$)	10	5467,656	53,321	\$471,178	5658,699	55,439	5664,138
Employee Compensation (000 \$)	11	\$180,197	51,279	5181,476	5253,701	52,095	5255,796
Employment	12	6,041	43	6,083	8,505	70	8,575

<sup>1</sup> FedEx estimates (Exhibit FX-209)

<sup>2</sup> FedEx financial data (Exhibit FX-210)

<sup>3</sup> BEA input-output multiplier for air transportation sector (Exhibit FX-212)

<sup>4</sup> FedEx estimates (Exhibit FX-209)

<sup>5</sup> Average value per pound for U.S.-China export market; "high value" SICs for express and "All Other" commodities for freight (Exhibit FX-214)

<sup>6</sup> Assumes that \$1 of imports will generate \$0.20 of new U.S. sales.

<sup>7</sup> Average compensation share of total output for wholesale and retail trade sectors combined (Exhibit FX-212) applied to net new sales

<sup>8</sup> Average compensation per employee from 1996 BEA County Business Patterns data; "high value" SICs for express and "All Other Sectors" for freight (Exhibit FX-213).

<sup>9</sup> Total direct new compensation / average compensation.

<sup>10</sup> Assumes industry output multiplier for the wholesale and retail trade sector for express (Exhibit FX-212) and 2.0 for freight applied to direct sales.

<sup>11</sup> Indirect new sales x average compensation share of total output for "All Sectors" (Exhibit FX-212) plus direct compensation.

<sup>12</sup> Indirect new compensation / average compensation for "All Sectors" (Exhibit FX-213) plus direct employment.

**ESTIMATED ECONOMIC IMPACTS OF EXPANDED U.S.-CHINA  
FEDERAL EXPRESS SERVICES: FIFTH FREEDOM NON-U.S. TRAFFIC**  
(In Constant 1998 Dollars)

		Year Ending May 31, 2000 (+8 Freq.)			Year Ending May 31, 2001 (+14 Freq.)		
	Notes	Express	Freight	Total	Express	Freight	Total
<b><u>Transportation Impact</u></b>							
<b>Direct Impact</b>							
Net New Revenues (000 \$)	1	520,974	52,403	523,378	533,894	\$3,845	537,739
Employee Compensation (000 \$)	2	59,229	\$1,058	\$10,287	514,914	51,692	516,606
Employment	2	179	20	199	289	33	322
<b>Total Impact</b>							
Net New Revenues (000 \$)		\$40,106	54,596	544,701	564,810	57,351	572,162
Employee Compensation (000 \$)		517,647	52,022	519,669	528,518	53,235	\$31,752
Employment		342	39	381	553	63	615

<sup>1</sup> FedEx estimates (Exhibit FX-209)

<sup>2</sup> FedEx financial data (Exhibit FX-210)

<sup>3</sup> BEA input-output multiplier for air transportation sector (Exhibit FX-212)

# ANALYSIS OF INCREMENTAL TRAFFIC/REVENUE STIMULATION IN THE FEDERAL EXPRESS FORECASTS

(Dollar Amounts In Thousands of Constant 1998 Dollars)

	Year Ending May 31, 2000 (+8 Freq.)				Year Ending May 31, 2001 (+14 Freq.)			
	Base	With	Gross	Net New	Base	With	Gross	Net New
	Case	Increased	Impact	Impact'	Case	Increased	Impact	Impact'
	(1)	Frequencies	<sup>1</sup>	(4)	(1)	Frequencies	<sup>1</sup>	(4)
<u>U.S. Imports from Chin*</u>								
Weight (000 Lbs.)								
Express	26,601	55,129	28,528	21,396	27,821	66,766	38,945	30,124
Freight	694	2,256	1,562	781	720	3,253	2,532	1,279
	27,296	57,386	30,090	22,177	28,542	70,019	41,477	31,403
Revenue (OW US \$)								
Express	556,934	5113,888	\$56,954	\$42,716	\$62,249	\$143,106	\$80,858	564,629
Freight	5689	\$2,239	\$1,550	\$775	\$715	\$3,228	\$2,513	\$1,269
	\$57,623	\$116,127	\$58,505	\$43,491	\$62,963	\$146,334	\$83,371	\$65,899
<u>U.S. Exports to China</u>								
Weight (000 Lb*)								
Express	5,399	24,793	19,394	14,546	6,523	34,479	27,956	21,810
Freight	6,101	7,838	1,737	869	6,211	8,740	2,529	1,320
	11,500	32,631	21,132	15,414	12,734	43,219	30,485	23,130
Revenue (000 US \$)								
Express	\$19,001	\$58,602	\$39,601	\$29,701	\$22,352	\$80,759	\$58,406	\$46,318
Freight	\$5,668	\$7,282	\$1,614	\$807	\$5,770	\$8,120	\$2,349	\$1,226
	\$24,669	\$65,884	\$41,215	\$30,508	\$28,123	\$88,878	\$60,756	\$47,544
<u>Fifth Freedom Non-U.S.</u>								
Weight (000 Lbs.)								
Express	20,589	45,518	24,929	18,697	21,369	56,669	35,300	27,060
Freight	1,087	14,046	12,959	6,479	1,022	21,908	20,886	10,411
	21,676	59,564	37,888	25,176	22,392	78,578	56,186	37,471
Revenue (000 US \$)								
Express	\$26,940	\$54,905	\$27,966	\$20,974	\$29,570	\$72,132	\$42,562	\$33,894
Freight	\$415	\$5,222	\$4,807	\$2,403	\$390	\$8,104	\$7,714	\$3,845
	\$27,355	\$60,127	\$32,772	\$23,378	\$29,960	\$80,236	\$50,275	\$37,739
<u>Combined Total</u>								
Weight (000 Lbs.)								
Express	52,589	125,441	72,852	54,639	55,714	157,914	102,201	78,994
Freight	7,882	24,140	16,258	8,129	7,954	33,901	25,947	13,010
	60,471	149,581	89,110	62,768	63,667	191,815	128,148	92,003
Revenue (000 US \$)								
Express	\$102,874	\$227,395	\$124,521	\$93,390	\$114,171	\$295,997	\$181,826	\$144,842
Freight	\$6,772	\$14,743	\$7,971	\$3,985	\$6,876	\$19,452	\$12,576	\$6,340
	\$109,646	\$242,138	\$132,492	\$97,376	\$121,046	\$315,448	\$194,402	\$151,182

<sup>1</sup> Column 2 minus Column 1.<sup>2</sup> Estimated at 75 percent of express activity and 50% offfreight activity. The balance of the traffic (commerce) is assumed to be diverted from other markets or routings (e.g., 6th freedom routing\* of foreign-flag carriers).

Source: Exhibits FX-301.303.



**SELECTED OPERATING STATISTICS  
FOR FEDERAL EXPRESS CORPORATION**  
(Year Ended May 31, 1998)

	<u>Federal Express Excluding Caliber Systems</u>
Total Revenues (000 \$)	<b>\$13,254,841</b>
Salaries and employee benefits (000 \$)	<b>\$5,832,363</b>
Share of Total Revenues	44%
Average Number of Employees	113,000
Average Compensation per Employee	\$51,614

Source: Consolidated Financial Statement, Federal Express Corporation,  
1998 Annual Report (year ended May 31) filed on Form 10-K with  
the Securities and Exchange Commission.

**SELECTED "HIGH VALUE" U.S.-CHINA EXPORT COMMODITY GROUPS:  
AIR SHIPMENT WEIGHT AND VALUE AND INDUSTRIAL STATISTICS**

3-digit SIC Commodity Group		BEA Commo- -dity Code	1998 U.S. Air Exports to China			Employee Compen- -sation Share of output	Total Industry Output Multiplier
			Shipment Weight (000 Lbs.)	Shipment Value (Mil. \$)	Value per Pound		
367	ELECTRONIC COMPONENTS AND ACCESSORIES	57	4,009	\$652	\$163	33%	2.00356
357	OFFICE MACHINERY AND PARTS	51	5,906	\$819	\$139	21%	2.29318
382	MEASURING/SCIENTIFIC INSTRUMENTS	62	3,634	\$395	\$109	38%	1.83668
322	GLASS & GLASSWARE	35	263	\$26	\$99	31%	1.9194,
366	COMMUNICATION EQUIPMENT AND APPARATUS	56	6,436	\$628	\$98	28%	2.00135
384	MEDICAL INSTRUMENTS & SUPPLIES	62	1,289	\$103	\$80	38%	1.83668
365	AUDIO EQUIPMENT	56	1,657	\$94	\$51	26%	2.00135
275	COMMERCIAL PRINTED MATTER	26	1,057	\$47	\$44	32%	1.88343
Total -Top Eight Commodity Groups 1/			24,451	\$2,764	\$113	29%	2.03307
Total - All Commodities (excluding commodities less than \$1 per pound)			80,184	\$4,061	\$51	34%	NA
Total-All Commodities excluding Above Eight Groups and <\$1 per pound			55,733	\$1,297	\$23	34%	NA

1/ Averages weighted by shipment weight.

Note: Excludes "9000" commodity series.

Source: U.S. Department of the Commerce, Bureau of the Census, Foreign Trade Statistics (1998 CD-ROM) and Exhibit FX-212.

## U.S. INDUSTRIAL STATISTICS FOR SELECTED "HIGH VALUE" AIR EXPORT INDUSTRIES, AIR TRANSPORTATION, AND TRADE SECTORS (1992)

BEA Input/Output Industry Group		Total output (Mil. \$)	Employee Compensation of (Mil. \$)	Share of output	Total Industry Output Multiplier
26	Newspapers, Periodicals and Other Printing/Publishing	\$167,275	\$53,346	32%	1.88343
35	Glass and Glass Products	\$17,615	\$5,553	31%	1.91941
51	Computer and Office Equipment	\$63,924	\$13,357	21%	2.29318
56	Audio, Video, and Communication Equipment	\$52,155	\$14,449	28%	2.00135
57	Electronic Components and Accessories	\$70,940	\$23,599	33%	2.00356
62	Scientific and Controlling Instruments	\$105,489	539,582	36%	1.83666
65D	Air Transportation	594,141	\$32,761	35%	1.91215
69A	Wholesale Trade	5568,970	\$231,373	41%	1.50700
69B	Retail Trade	5522,519	\$216,366	41%	1.53105
		<b>\$1,091,489</b>	<b>5447,759</b>	<b>41%</b>	<b>1.51651</b>
	Total -All Sectors	<b>\$10,822,647</b>	<b>\$3,645,042</b>	<b>34%</b>	<b>NA</b>
	Total -All Sectors, excluding High Value Groups	<b>\$10,345,049</b>	<b>\$3,495,156</b>	<b>34%</b>	<b>NA</b>

Source: "Benchmark Input-Output Accounts for the U.S. Economy, 1992" (Tables 2.2 and 5)  
U.S. Department of Commerce, Bureau of Economic Analysis, Survey of Current Business  
(November and December 1997)

## U.S. EMPLOYMENT STATISTICS FOR SELECTED "HIGH VALUE" AIR EXPORT INDUSTRIES AND TRADE SECTORS (1996)

	3-digit SIC Commodity Group	Total Employ- -ment	Annual Payroll (Mil. \$)	Average per Employee
275	Commercial printing	587,534	\$17,912	\$30,486
322	Glass and glassware, pressed or blown	61,911	\$2,106	\$34,013
357	Computer and office equipment	227,720	\$10,815	\$47,493
365	Household audio and video equipment	50,938	\$1,567	\$30,766
366	Communications equipment	254,639	\$12,221	\$47,992
367	Electronic components and accessori	594,638	\$22,970	\$38,628
382	Measuring and controlling devices	265,806	\$10,905	\$41,027
384	Medical instruments and supplies	267,624	\$10,548	\$39,413
	Total - Top Eight Commodity Groups	2,310,810	\$89,043	\$38,533
	WHOLESALE TRADE	6,664,654	\$240,314	\$36,058
	RETAIL TRADE	21,487,322	\$317,660	\$14,784
	Trade Sector Subtotal	28,151,976	5557,974	\$19,820
	Total - All Industries and Other Sectors	102,198,864	\$2,848,955	\$27.877
	Total - All Industries and Other Sectors excluding Above Top Eight Groups	99,888,054	\$2,759,912	\$27,630
	Ratio of Compensation to Payroll Income <sup>1</sup>			1.38
	<u>Average Compensation per Employee</u>			
	Top Eight Commodity Groups			\$53,101
	Wholesale and Retail Trade			\$27,313
	Total -All Industries and Other Sectors excluding Selected Groups			\$38,076

<sup>1</sup> Based on 1996 average ratio of compensation (\$17.97/hour) to wages and salaries (\$13.04/hour) for all sectors.

## SELECTED "HIGH VALUE" CHINA-U.S. IMPORT COMMODITY GROUPS: AIR SHIPMENT WEIGHT AND VALUE

3-digit SIC Commodity Group		1998 U.S. Air Imports from China		
		Shipment Weight (000 Lbs.)	Shipment Value (Mil. \$)	Value per Pound
333	SMELTER AND REFINED NONFERROUS METALS	101	\$18	\$175
391	JEWELRY, SILVERWARE, AND PLATED WARE	1,507	\$153	\$102
283	DRUGS	1,835	\$140	\$76
237	FUR WEARING APPAREL AND FUR ARTICLES, NSPF	435	\$32	\$74
372	AIRCRAFT, AND PARTS, NSPF	345	\$23	\$67
329	ABRASIVE, ASBESTOS, & MISC NONMETLC MINERAL PRODS	156	\$9	\$56
351	ENGINES AND TURBINES, AND PARTS, NSPF	119	\$6	\$50
384	SURG, MED & DENTAL INSTRMTS & SUPPLIES & PTS NSPF	1,740	\$70	\$40
Total -Top Eight Commodity Groups		6,238	\$451	\$72
Total -All Commodities (excluding commodities less than \$1 per pound)		506,228	\$7,634	\$15
Total -All Commodities excluding Above Eight Groups and <\$1 per pound		499,990	\$7,183	\$14

Note: Excludes "9000" commodity series.

Source: U.S. Department of the Commerce, Bureau of the Census, Foreign Trade Statistics (1997 CD-ROM)

# **FEDERAL EXPRESS FORECAST TRAFFIC AND REVENUE WITH THE ADDITION OF EIGHT FREQUENCIES IMMEDIATELY PLUS SIX FREQUENCIES IN 2000**

(Revenue in Constant 1998 Dollars)

Year 2001 Routings: MD11: NRT-SHA-SFS-SZX<sup>3/</sup>-SHA-NRT (6 Days)  
MD11: NRT-PEK-NRT (6 Days)  
A310: SFS-SZX-SFS (6 Days)

China-To-US	Pounds					Revenues (\$)				
	Year Ended May 31:					Year Ended May 31:				
	1999	1/	2000	2001	2/	1999	1/	2000	2001	2/
IP	5,553,326		12,226,106	16,080,534		32,588,937		63,942,535	84,101,193	
IXF	18,559,536		42,903,235	50,685,620		21,408,937		49,945,256	59,005,020	
ATA	622,215		2,256,415	3,252,525		640,875		2,239,307	3,227,866	
TOTAL	24,735,077		57,385,756	70,018,679		54,538,749		116,127,098	146,334,079	
Express	24,112,862		55,129,342	66,766,154		53,997,874		113,887,791	143,106,213	
Express%	97%		96%	95%		99%		98%	98%	
Capacity	35,360,000		106,080,000	126,360,000						
Partial LF	70%		54%	55%						

US-To-China	Pounds					Revenues (\$)				
	Year Ended May 31:					Year Ended May 31:				
	1999	1/	2000	2001	2/	1999	1/	2000	2001	2/
IP	2,128,624		4,491,977	6,073,382		13,535,505		26,233,146	35,468,548	
IXF	1,925,867		20,301,394	28,405,583		3,199,883		32,368,695	45,290,073	
ATA	4,913,911		7,838,055	8,740,125		4,735,524		7,281,778	8,119,827	
TOTAL	8,968,402		32,631,427	43,219,089		21,470,912		65,883,619	88,878,448	
Express	4,054,491		24,793,371	34,478,964		16,735,388		58,601,840	80,758,621	
Express%	45%		76%	80%		78%		89%	91%	
Capacity	35,360,000		106,080,000	126,360,000						
Partial LF	25%		31%	34%						

China-To-ROW (5th Free.)	Pounds					Revenues (\$)				
	Year Ended May 31:					Year Ended May 31:				
	1999	1/	2000	2001	2/	1999	II	2000	2001	2/
IP	878,746		1,899,677	2,627,356		5,479,343		10,733,174	14,844,563	
IXF	3,172,287		10,004,403	14,693,582		2,328,249		7,498,669	11,013,381	
ATA	88,924		5,984,586	11,042,022		50,498		2,142,741	3,953,522	
TOTAL	4,139,957		17,888,666	28,362,960		7,858,090		20,374,584	29,811,466	
Express	4,051,033		11,904,080	17,320,938		7,807,592		18,231,843	25,857,944	
Express%	98%		67%	61%		99%		89%	87%	
Capacity	35,360,000		106,080,000	126,360,000						
Partial LF	12%		17%	22%						

ROW-To-China (5th Free.)	Pounds					Revenues (\$)				
	Year Ended May 31:					Year Ended May 31:				
	1999	1/	2000	2001	2/	1999	1/	2000	2001	2/
IP	2,276,739		4,810,972	6,505,589		11,081,029		21,023,946	28,429,426	
IXF	13,623,021		28,803,160	32,842,700		8,380,215		15,649,681	17,844,492	
ATA	1,151,484		8,060,931	10,866,455		544,445		3,078,949	4,150,545	
TOTAL	17,051,244		41,675,063	50,214,744		20,005,688		39,752,576	50,424,464	
Express	15,899,760		33,614,132	39,348,289		19,461,244		36,673,627	46,273,918	
Express%	93%		81%	78%		97%		92%	92%	
Capacity	35,360,000		106,080,000	126,360,000						
Partial LF	48%		39%	40%						

**FEDERAL EXPRESS FORECAST TRAFFIC AND REVENUE WITH THE ADDITION  
OF EIGHT FREQUENCIES IMMEDIATELY PLUS SIX FREQUENCIES IN 2000**  
(Revenue in Constant 1998 Dollars)

China-To-World	Pounds					Revenues (\$)				
	Year Ended May 31:					Year Ended May 31:				
	1999	1/	2000	2001	2/	1999	1/	2000	2001	2/
IP	6,432,072		14,125,783	18,707,890		38,068,280		74,688,384	98,915,728	
IXF	21,731,823		52,907,639	65,379,202		23,737,186		58,939,159	72,832,492	
ATA	711,139		8,241,001	14,294,548		591,373		8,166,539	14,165,389	
TOTAL	28,875,034		75,274,423	98,381,640		62,396,839		141,794,082	185,913,608	
Express	28,163,895		67,033,422	84,087,092		61,805,466		133,627,543	171,748,220	
Express%	98%		89%	85%		99%		94%	92%	
Capacity	35,360,000		106,080,000	126,360,000						
Loadfactor	82%		71%	78%						

World-To-China	Pounds					Revenues (\$)				
	Year Ended May 31:					Year Ended May 31:				
	1999	1/	2000	2001	2/	1999	1/	2000	2001	2/
IP	4,405,363		9,302,949	12,578,971		24,616,534		47,261,661	63,904,799	
IXF	15,548,888		49,104,555	61,248,283		11,580,098		35,571,331	44,368,246	
ATA	6,065,395		15,898,986	19,606,580		5,279,969		13,457,369	16,595,585	
TOTAL	26,019,646		74,306,490	93,433,833		41,476,600		96,290,361	124,868,629	
Express	19,954,251		58,407,503	73,827,254		36,196,632		82,832,992	108,273,045	
Express%	77%		79%	79%		87%		86%	87%	
Capacity	35,360,000		106,080,000	126,360,000						
Loadfactor	74%		70%	74%						

1/ From the company's current business plan 9 months of actual data (06/98 -02/99) plus 3 months for the plan forecast (03/99 - 05/99).

2/ While the second year frequencies become available on April 1,2000, Federal Express assumes it will take 60 days to implement the new services due to the time required to obtain Chinese governmental approvals. If the start-up can be accelerated Federal Express will do so. and the forecast figures for the year ended May 31, 2001 will be valid in any event.

3/ It is currently planned that Shenzhen will be dropped from this routing when the dedicated Subic Bay (SFS) Shenzhen (SXZ) - Subic Bay turnaround service is inaugurated.

**Notes**

IP = International Priority (express product)  
IXF = International Express Freight (express product)  
ATA = Airport To Airport (general freight products including mail)  
ROW = Rest of World (5th Freedom)

Source: Federal Express, International Marketing Department

## FEDERAL EXPRESS FORECAST TRAFFIC AND REVENUE WITH EIGHT ADDITIONAL FREQUENCIES IMMEDIATELY

(Revenue in Constant 1998 Dollars)

Year 2000 & 2001 Routings: MD11: NRT-SHA-SFS-SZX-SHA-NRT (6 Days)  
MD11: NRT-PEK-NRT (6 Days)

China-To-US	Pounds				Revenues (\$)			
	Year Ended May 31:				Year Ended May 31:			
	1999	1/	2000	2001	1999	1/	2000	2001
IP	5,553,326		12,226,106	13,890,294	32,338,937		63,942,535	72,646,238
IXF	18,559,536		42,903,235	45,493,940	21,408,937		49,945,256	52,961,192
ATA	622,215		2,256,415	2,522,445	540,875		2,239,307	2,503,321
TOTAL	24,735,077		57,385,756	61,906,679	54,538,749		116,127,098	128,110,751
Express	24,112,862		55,129,342	59,384,234	53,997,874		113,887,791	125,607,430
Express%	97%		96%	96%	99%		98%	98%
capacity	35,360,000		106,080,000	106,080,000				
Partial LF	70%		54%	58%				

US-To-China	Pounds				Revenues (\$)			
	Year Ended May 31:				Year Ended May 31:			
	1999	1/	2000	2001	1999	1/	2000	2001
IP	2,128,624		4,491,977	5,282,462	13,535,505		26,233,146	30,849,575
IXF	1,925,867		20,301,394	23,660,063	3,199,883		32,368,695	37,723,781
ATA	4,913,911		7,838,055	8,192,565	4,735,524		7,281,778	7,611,128
TOTAL	8,968,402		32,631,427	37,135,089	21,470,912		65,883,619	76,184,484
Express	4,054,491		24,793,371	28,942,524	16,735,388		58,601,840	68,573,356
Express%	45%		76%	78%	78%		89%	90%
Capacity	35,360,000		106,080,000	106,080,000				
Partial LF	25%		31%	35%				

China-To-ROW (5th Free.)	Pounds				Revenues (\$)			
	Year Ended May 31:				Year Ended May 31:			
	1999	1/	2000	2001	1999	1/	2000	2001
IP	878,746		1,399,677	2,221,756	5,479,343		10,733,174	12,552,923
IXF	3,172,287		10,004,403	10,799,822	2,328,249		7,498,669	8,094,864
ATA	88,924		5,984,586	7,229,382	50,498		2,142,741	2,588,432
TOTAL	4,139,957		17,888,666	20,250,960	7,858,090		20,374,584	23,236,219
Express	4,051,033		11,904,080	13,021,578	7,807,592		18,231,843	20,647,788
Express%	98%		67%	64%	99%		89%	69%
Capacity	35,360,000		106,080,000	106,080,000				
Partial LF	12%		17%	19%				

ROW-To-China (5th Free.)	Pounds				Revenues (\$)			
	Year Ended May 31:				Year Ended May 31:			
	1999	1/	2000	2001	1999	1/	2000	2001
IP	2,276,739		4,810,972	5,694,389	11,081,029		21,023,946	24,884,482
IXF	13,623,021		28,803,160	29,354,540	8,380,215		15,649,681	15,949,263
ATA	1,151,484		8,060,931	7,459,415	544,445		3,078,949	2,849,194
TOTAL	17,051,244		41,675,063	42,508,344	20,005,688		39,752,576	43,682,939
Express	15,899,760		33,614,132	35,048,929	19,461,244		36,673,627	40,833,745
Express%	93%		81%	82%	97%		92%	93%
Capacity	35,360,000		106,080,000	106,080,000				
Partial LF	48%		39%	40%				



## FEDERAL EXPRESS FORECAST TRAFFIC AND REVENUE WITH EIGHT ADDITIONAL FREQUENCIES IMMEDIATELY

(Revenue in Constant 1998 Dollars)

China-To-World	Pounds				Revenues (\$)			
	Year Ended May 31:				Year Ended May 31:			
	1999	1/	2000	2001	1999	1/	2000	2001
IP	6,432,072		14,125,783	16,112,050	38,068,280		74,688,384	85,190,535
IXF	21,731,823		52,907,639	56,293,762	23,737,186		58,939,159	62,711,303
ATA	711,139		8,241,001	9,751,828	591,373		8,166,539	9,663,714
TOTAL	28,875,034		75,274,423	82,157,640	62,396,839		141,794,082	157,565,553
Express	28,163,895		67,033,422	72,405,812	61,805,466		133,627,543	147,901,838
Express%	98%		89%	88%	99%		94%	94%
capacity	35,360,000		106,080,000	106,080,000				
Loadfactor	82%		71%	77%				

World-To-China	Pounds				Revenues (\$)			
	Year Ended May 31:				Year Ended May 31:			
	1999	1/	2000	2001	1999	1/	2000	2001
IP	4,405,363		9,302,949	10,976,851	24,616,534		47,261,661	55,765,567
IXF	15,548,888		49,104,555	53,014,603	11,580,098		35,571,331	38,403,769
ATA	6,065,395		15,898,986	15,651,980	5,279,969		13,457,369	13,248,295
TOTAL	26,019,646		74,306,490	79,643,433	41,476,600		96,290,361	107,417,632
Express	19,954,251		58,407,503	63,991,454	36,196,632		82,832,992	94,169,337
Express%	77%		79%	80%	87%		86%	88%
Capacity	35,360,000		106,080,000	106,080,000				
Loadfactor	74%		70%	75%				

1/ From the company's current business plan - 9 months of actual data (06/98 -02/99) plus 3 months for the plan forecast (03/99 - 05/99).

### Notes

IP = International Priority (express product)

IXF = International Express Freight (express product)

ATA = Airport To Airport (general freight products including mail)

ROW = Rest of World (5th Freedom)

Source: Federal Express, International Marketing Department.

# FEDERAL EXPRESS FORECAST TRAFFIC AND REVENUE WITHOUT ADDITIONAL FREQUENCIES-BASE CASE

(Revenue in Constant 1998 Dollars)

Year200082001 Routings: MD11: NRT-PEK-SHA-SFS-SHA-NRT

(4 Days)

China-To-US	Pounds				Revenues(\$)			
	Year Ended May 31:				Year Ended May 31:			
	1999	1/ 2000	2001		1999	1/ 2000	2001	
IP	5,553,326	6,386,325	7,344,274		32,588,937	33,400,479	38,410,551	
IXF	16559,536	20,215,091	20,477,043		21,408,937	23,533,141	23,838,089	
ATA	622,215	694,155	720,203		540,675	688,892	714,743	
TOTAL	24,735,077	27,295,571	26541,520		54,538,749	57,622,512	62,963,383	
Express	24,112,862	26,601,416	27621,316		53,997,874	56,933,621	62,248,640	
Express%	97%	97%	97%		99%	99%	99%	
Capacity	35,360,000	35,360,000	35,360,000					
Partial LF	70%	77%	81%					

US-To-China	Pounds				Revenues(\$)			
	Year Ended May 31:				Year Ended May 31:			
	1999	1/ 2000	2001		1999	1/ 2000	2001	
IP	2,128,624	2,447,918	2615,105		13,535,505	14,295,839	16,440,215	
IXF	1,925,867	2,951,038	3,707,978		3,199,883	4,705,157	5,912,028	
ATA	4,913,911	6,100,929	6,211,243		4,735,524	5,667,938	5,770,423	
TOTAL	8,968,402	11,499,885	12,734,326		21,470,912	24,668,934	26122,665	
Express	4,054,491	5,398,956	6,523,083		16,735,388	19,000,996	22,352,243	
Express%	45%	47%	51%		70%	77%	79%	
Capacity	35,360,000	35,360,000	35,360,000					
Partial LF	25%	33%	36%					

China-To-ROW (5th Free.)	Pounds				Revenues(\$)			
	Year Ended May31:				Year Ended May 31:			
	1999	1/ 2000	2001		1999	1/ 2000	2001	
IP	878,746	1,010,557	1,162,141		5,479,343	5,709,650	6,566,097	
IXF	3,172,287	2,780,826	2,437,671		2,326,249	2,084,331	1,827,124	
ATA	88,924	1,595	29		50,496	571	10	
TOTAL	4,139,957	3,792,978	3,599,840		7,858,090	7,794,552	6393,231	
Express	4,051,033	3,791,383	3,599,812		7,807,592	7,793,981	8,393,221	
Express%	98%	100%	100%		99%	100%	100%	
Capacity	35,360,000	35,360,000	35,360,000					
Partial LF	12%	11%	10%					

ROW-To-China (5th Free.)	Pounds				Revenues(\$)			
	YearEndedMay31:				Year Ended May31:			
	1999	1/ 2000	2001		1999	1/ 2000	2001	
IP	2,276,739	2,618,249	3,010,987		11,081,029	11,441,750	13,158,012	
IXF	13,623,021	14,179,363	14,758,425		8,380,215	7,704,103	8,018,726	
ATA	1,151,484	1,084,963	1,022,284		544,445	414,412	390,471	
TOTAL	17,051,244	17,882,575	18,791,696		20,005,688	19,560,264	21,567,209	
Express	15,899,760	16,797,612	17,769,412		19,461,244	19,145,853	21,176,738	
Express%	93%	94%	95%		97%	98%	98%	
Capacity	35360,000	35,360,000	35,360,000					
Partial LF	46%	51%	53%					

# **FEDERAL EXPRESS FORECAST TRAFFIC AND REVENUE WITHOUT ADDITIONAL FREQUENCIES-BASE CASE**

(Revenue in Constant 1998 Dollars)

China-To-World	Pounds				Revenues (\$)			
	Year Ended May 31:				Year Ended May 31:			
	1999	1/ 2000	2001		1999	1/ 2000	2001	
IP	6,432,072	7,396,882	8,506,415		38,068,280	39,110,129	44,976,648	
IXF	21,731,823	22,995,917	22,914,713		23,737,186	25,617,473	25,665,213	
ATA	711,139	695,749	720,232		591,373	689,463	714,753	
TOTAL	28,875,034	31,088,548	32,141,360		62,396,839	65,417,064	71,356,614	
Express	28,163,895	30,392,799	31,421,128		61,805,466	64,727,601	70,641,861	
Express%	98%	98%	98%		99%	99%	99%	
Capacity	35,360,000	35,360,000	35,360,000					
Loadfactor	82%	88%	91%					

World-To-China	Pounds				Revenues (\$)			
	Year Ended May 31:				Year Ended May 31:			
	1999	1/ 2000	2001		1999	1/ 2000	2001	
IP	4,405,363	5,066,167	5,826,092		24,616,534	25,737,589	29,598,227	
IXF	15,548,888	17,130,401	18,466,403		11,580,098	12,409,260	13,930,754	
ATA	6,065,395	7,185,892	7,233,527		5,279,969	6,082,350	6,160,894	
TOTAL	26,019,646	29,382,460	31,526,022		41,476,600	44,229,198	49,689,874	
Express	19,954,251	22,196,568	24,292,495		36,196,632	38,146,848	43,528,980	
Express%	77%	76%	77%		87%	86%	88%	
Capacity	35,360,000	35,360,000	35,360,000					
Loadfactor	74%	83%	89%					

1/ From the company's current business plan - 9 months of actual data (06/98 -02/99) plus 3 months for the plan forecast (03/99 - 05/99).

## **Notes**

IP = International Priority (express product)

IXF = International Express Freight (express product)

ATA = Airport To Airport (general freight products including mail)

ROW = Rest of World (5th Freedom)

Source: Federal Express, International Marketing Department.